The murder that has the pollies buzzing

THE Eye

DEC/QUARTER 1990

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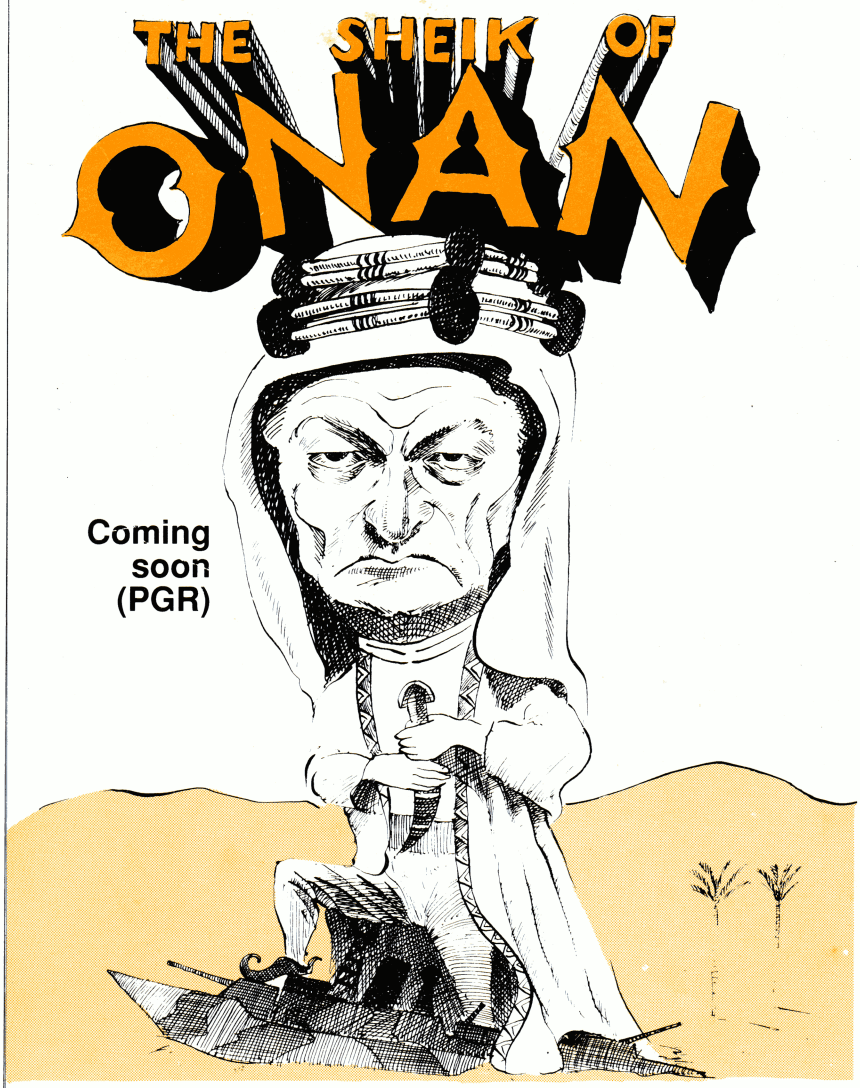

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"Can you please find Virginia Bell another program ... I can't stand her shrill voice and sexism ..."
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"The explicit depiction of Tom Dryberg's sexual habits was unnecessarily sordid and offensive. Your feverish pursuit of the details was embarrassing ... "
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"You are so subtle ... "
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Sordid
Shrill
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The Eye

A Quarterly Journal of Satire, Comment, and Reportage

Edited by Brian Toohey

This is the 25th issue of a magazine whose birth has been sparked by changes which mean that the Australian media are now dominated by companies with fingers in dozens of other business pies. Governments and advertisers are setting the agenda for what gets printed. *The Eye* is attempting to fill the gaps left by the Big Boys and inject a little humour.

Contributions

Words, pictures and artwork are welcome and should be sent to PO Box 32, Glebe, NSW 2037.

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At Home with The Toad

Duck squeezer's delight

ALLOW me to let you in on a little secret. Forget the Third World slop that passes for food in so many of our expensive eating establishments. Next time you're in Melbourne, slip off to Licciardo's at Mt Eliza. Superb cuisine, immaculate décor, discreet service, fascinating clientêle and a chef with an illustrious pedigree.

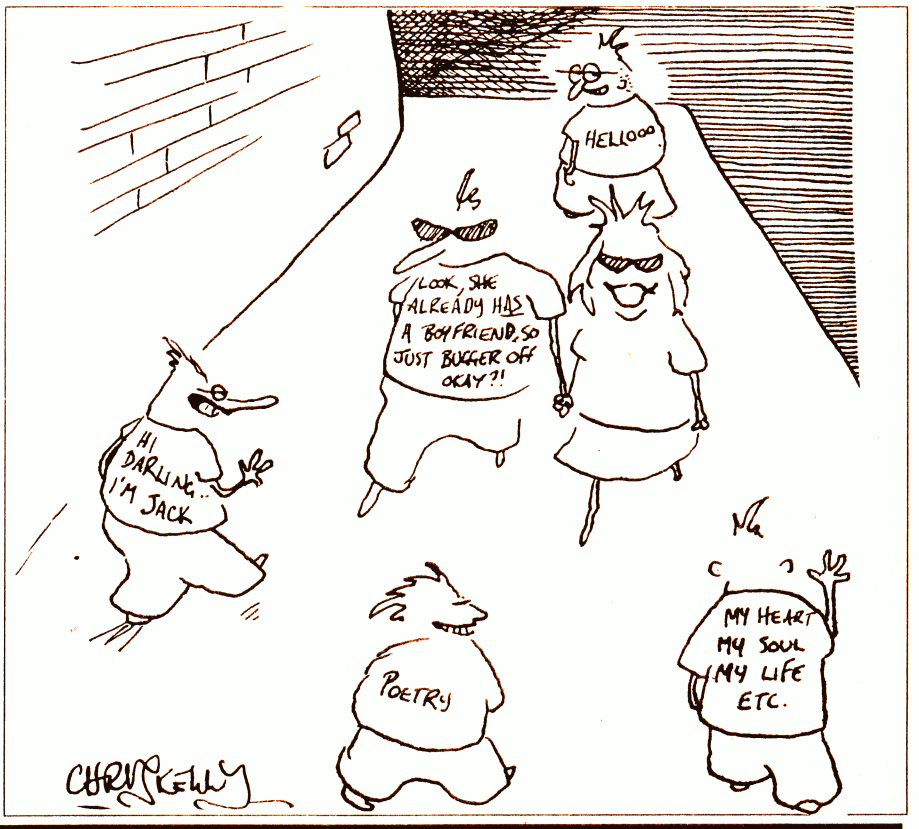
I was there only a week ago with a couple of Richo's confidants, cooking up a little delight for Bob Carr at the next Labor conference in NSW. "No chance of being sprung at Mt Eliza," they boasted as my limo glided to a halt. We were barely seated when we noticed that wretched fellow from the *SMH*, Ben Hills, about to dismember a pressed quail's wing. "Quite a trencherman, Hills," I mused, "but I can't believe he's here solely to sink the fang into a salad of grilled pig's ear." Then we noticed a dark-suited scribe from *The Age* and that gumshoe from the *Sunday Sun*, Peter Logue. "Logue wouldn't know one end of a turkey's tailbone from the other!" grunted one of my conspiratorial colleagues. "They must be on to us."

Then I caught sight of an old mate waving to me from the far end of the restaurant. "It's okay," I said. "It's the Governor-General. Obviously they're here for a quiet chat without all that Vice-Regal List nonsense. Bill works the media like a Stradivarius," I explained as I signalled to His Excellency that I'd join him later for a brandy snorter.

But first it was down to business. Richo was thinking of moving a motion at the next State conference to disband ICAC. What did I think? Well, for starters, Carr won't play ball, I said. Can be a right royal puritanical bastard at times, I remarked.

That won't be an issue by then, my extremely well-connected companions

Continued on page 5



The case of the missing fax

THE phone tapping powers of the Australian Federal Police are now wider than those of ASIO. The AFP also uses them more than ASIO.

In the year to June 1989, the Federal Minister for Justice granted the AFP 205 warrants to tap phones under the Telecommunications (Interception) Act. This was a 40 per cent surge on the previous year, when a mere 145 warrants were granted. Under the Customs Act, the AFP tapped another 162 phones last year, compared with 98 the previous year.

The power to listen to someone's private life is one of the larger abuses of human rights that we cede to our governments because there is a community belief that extreme measures are required to combat crimes such as drug importation and distribution.

The Telecommunications (Interception) Act of 1979, as amended in September 1988, is very much broader than that. As described in the last Australian Federal Police annual report, it "widened the scope of offences" for which phones could be tapped on suspicion by the AFP to include not only drug offences, but also "murder, kidnapping, serious fraud, serious loss of Commonwealth revenue, serious risk of a person's life, serious personal injury, serious damage to property in circumstances endangering the safety of a person."

The passing of the 1988 amendments (not widely noticed) gave birth to the AFP Telecommunications Interception Division. Its function is "to execute warrants issued under the Act on behalf of the AFP, the National Crime Authority, the NSW Police and the Victoria Police."

There's yet another AFP power over phones which doesn't even need the ministerial nod. Telecom can be required to provide "call charge record information" about any subscriber on the demand of any "member of the Australian Federal Police being duly authorised by the Commissioner".

A complete record of who you have called and who has called you is thus available to your friendly Fed.

Australian Federal Police — MINUTE PAPER

The Managing Director
Australian Telecommunications Commission
Communications House
199 William Street
MELBOURNE. VIC. 3000

CERTIFICATE OF CONDUCT OF INVESTIGATION BY AUSTRALIAN FEDERAL POLICE SECTION 65A TELECOMMUNICATIONS (INTERCEPTION) ACT 1979

I, Eric John CURTIS, a member of the Australian Federal Police, being duly authorised by the Commissioner, certify that an investigation of a serious offence (as defined by the Telecommunications (Interception) Act 1979), is being conducted by the Australian Federal Police in the A.C.T. whereby call charge record information relating to the telecommunication services listed in the schedule hereto for the period 01 June 1990 to present is required for the purpose of that investigation.

SCHEDULE

Telephone numbers: 02 74[redacted] 066 8[redacted]

Given under my hand this 10th day of August 1990.

Name: E J CURTIS
Rank: Det Superintendent

In return for giving away these rights to privacy, the community expects that Big Brother will at least do his job competently.

On August 10, the AFP faxed an authority for "call charge record information" on two NSW phone numbers — not to the Protective Services division of Telecom, which handles such dirty work, but to a friend of *The Eye*.

Such carelessness on matters of top security raises serious questions about administration and supervision within the AFP.

The Feds had already established a notorious niche in the history of insecure communications when its contingent in Cyprus despatched a series of telexes to the Soviet Embassy in Canberra instead of AFP headquarters.

The Keystone character of the AFP has been reinforced by the Winchester inquest, which has exposed bungling and inefficiency in both the surveillance of cannabis crops at Bungendore and the interpretation of bugged bedroom conversations in Adelaide.

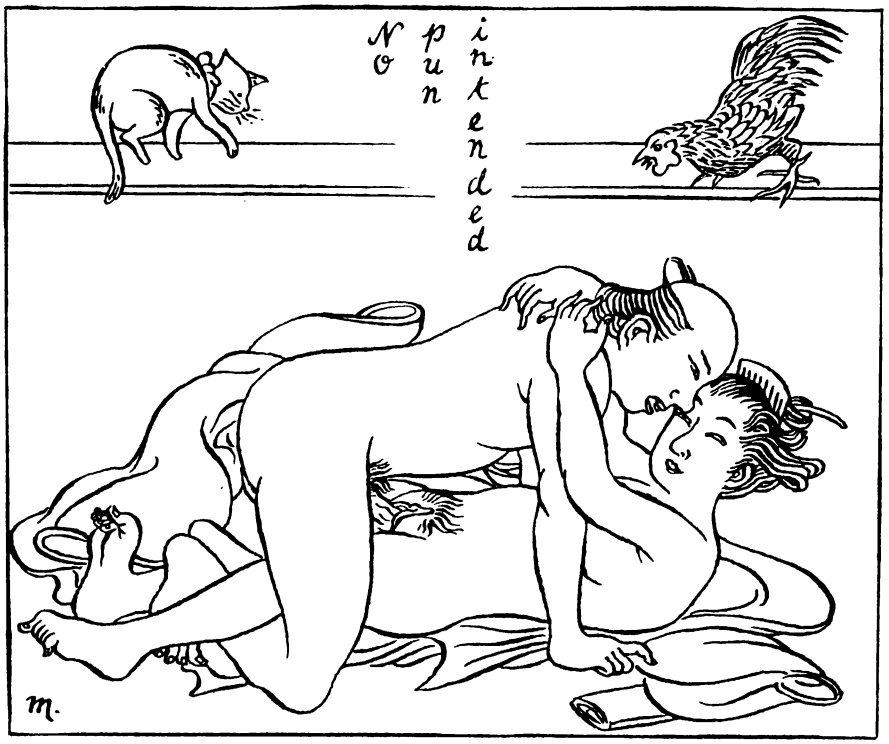
The Feds got off very lightly when the head of the Investigations division, Assistant Commissioner Peter Lamb, assumed the guilt of a Thai citizen arrested on drug charges in Bangkok. "The arrest of Prasert Yooyen," he stated in a media release on the morning of May 2, "was another outstanding success in the international interdiction program aimed at stemming the flow of illegal drugs throughout the world."

When the Justice Minister, Michael Tate, repeated such sentiments later that day, his remarks were branded by the Prime Minister as an "appalling error of judgment".

Ill-judged his comments may have been; ill-advised he certainly was. A Sydney judge aborted a trial as a result of the Minister's statement.

The AFP escaped comment or censure.

WILLIAM PINWILL



confided. "He'll be out on his puritanical arse." Deirdre Grusovin was the pea for leadership, it seemed.

Get smart for once, I told them. What harm's ICAC doing? So far it's done nothing but give a bit of a tickle along to a couple of Nats. Any time we like, we can tie it up with with a swag of complaints about some boyos who aren't on the team, if you get my drift. (I could name one or two upstart operators I wouldn't mind shafting.)

Doesn't matter, they said. We don't like it. It's anti-development.

Don't let Richo hear you talking like that, I laughed, now that he's turned into a tree-hugging, duck-squeezing greenie.

Yeah, he's worried about the civil liberties angle, they said. But we find it damned offensive that ICAC should start poking around among legitimate campaign donations. Where might it all stop? Indeed! There was no point arguing. It was goodbye, Bob Carr.

Judicious silence

A Labor Attaché from the US Embassy wanted to have breakfast. Whenever I meet him — or is it the latest Agency chap?— he carries on about Tex Mex. So I thought I'd better lay something on for him at Toad Hall. I was due to have a union high flyer from Melbourne and one of his mates from the Arbitration bench over. What better chance than to get 'em all together over a heaving cauldron of prime buffalo mince brimming with an interesting mix of black-eyed Bolivian beans and Garbanzo jumping beans with a mountain of Spanish onions and a few handfuls of my special Jalapeno chili, guaranteed to make a Connecticut Yankee do the Mexican hat dance? A couple of cases of Lone Star beer, a particularly robust Murrumbidgee red, and a dozen or so *Clos du Mesnil* '82 soon had the party humming.

It didn't take long for the Aussies to get to the point. Could I put a word in for Johnnie Varnum? The name did not ring an immediate bell. Johnnie, I was reminded, was the TWU lad from Newcastle who'd joined the Industrial Commission. A judge no less. Seems the Judicial Commission had been nosing about following a *Four Corners* program — I sometimes wonder why we put David Hill there — claiming His Honour had taken an interstate trip to the cricket, courtesy of TNT, plus a couple of other things that might be misconstrued as a fringe benefit back in his days as the truckies' friend. I promised I'd see what I could do. Not the sort of thing that needed any further publicity.

And while I was at it, did I know anyone on the Royal Commission into the Building Industry? "Worried about the BWIU?" I asked with an innocent smile. "Stuff the BWIU!" they cried. It seemed there were one or two developers whose welfare was a matter of deep interest. Model employers, of course. It was just that there were some over-award payments, so to speak, that could be misunderstood. Well of course I knew the silk running the show. I'd see what I could do. By now the Labor Attaché was starting to sing some Willie Dixon with an extraordinarily buxom Colombian lass who'd spent all morning slapping tortillas on a hot stone I'd had installed in the kitchen. A real talent I'd rescued from a Medellin bordello and given a new start in life.

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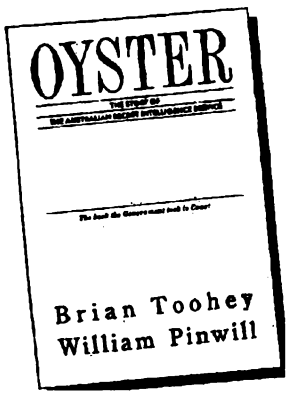

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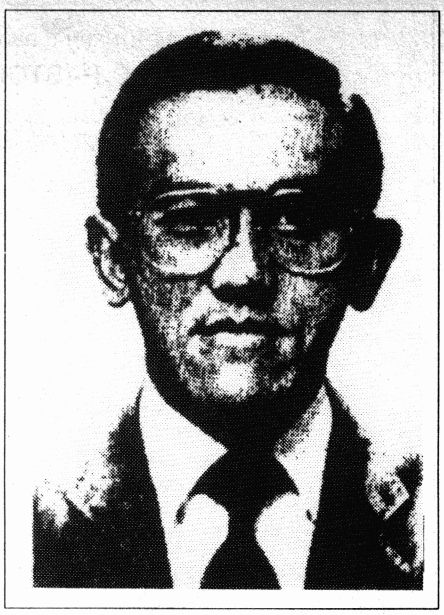
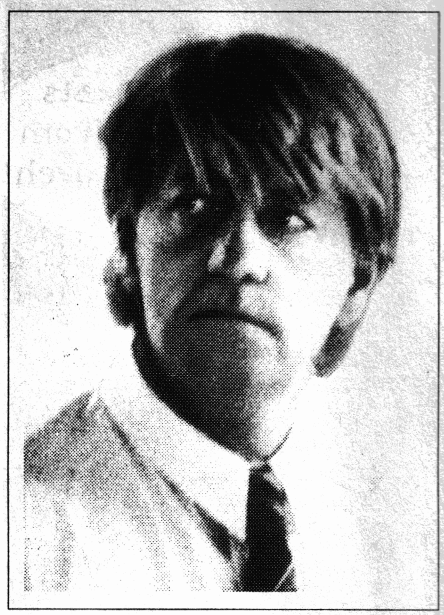
President Suharto



Aburizal Bakrie



Warren Anderson

Warren's Indon mates

By BRIAN TOOHEY*

WARREN Anderson is a lucky man. First he has the privilege of being a close personal friend of the Treasurer.

Second, when other property developers are going to the wall, he has managed to find some Indonesians wealthy enough to pay a spectacular price for a half share in a group of his Northern Territory cattle properties centring on his pride and joy, Tipperary Station.

The Indonesians are also very well connected politically. Their Australian representative is also chairman of a company under the wing of one of President Suharto's sons. Other relatives of the Indonesian leader happen to jointly own various companies with Warren's new partners while one of the main consultants to the project actually lives in the village that services Suharto's ranch at Tapos near Bogor.

The deal puts a total value on the stations of more than $200 million — a figure that has surprised some Northern Territory observers. Something much closer to the $50 million mark would have been more in line with expectations.

The NT Government has to approve the transfer of the pastoral lease when a cattle station is sold. In this case, however, the usual process did not occur, as the actual pastoral leases were not transferred.

Nor did the Indonesians buy a half-share in the Anderson company that owns the leases. Instead, they entered into a complicated arrangement in which they obtained a half-share in the interests owned by Anderson.

The NT Government accepted, however, that Anderson had halved his ownership of the land and has allowed him to buy five more stations.

Under NT legislation no-one can own pastoral leases totalling more than 20,000 square kilometres. Anderson would have gone over the limit with the five new properties if he not been deemed to have halved his ownership in the Tipperary group.

Formal approval of the Indonesian sale was left to the Foreign Investment Review Board which is run out of the Treasury in Canberra. The Board refuses to answer any questions about the deal, or even say if it has approved it, or if it knows who owns the Indonesian company concerned, let alone what relationship it might have with members of the Suharto family.

On past form there is little doubt it would have approved the sale whether or not Anderson was a mate of Keating. But the secrecy surrounding the FIRB decision makes a joke of any notion of democratic accountability. The public is not allowed to know what factors were taken into account in arriving at the decision, who lobbied, what criteria were used to determine where the public interest lay, or whether the foreign affairs and potential tax implications were examined.

Before the Indonesians started splashing their money about, the four leasehold stations, one Crown lease, and two smaller freehold farms in the Tipperary group (see map, page 7) were owned by an Anderson company, Owston Nominees No 2. The company, set up by the tax experts Simon and Baffsky and transferred to Anderson in 1980, is part of a complicated trust arrangement that means the records it files with the Corporate Affairs Commission reveal little about its financial position or its beneficiaries.

On November 15 last year, Anderson agreed to sell a half-interest in this group of properties to Tovehead Pty Ltd. The actual sale went ahead on February 13 this year after Owston and Tovehead entered into a co-ownership deed. The two companies have become tenants-in-common

Paul polishing his Merc in the driveway of Warren's Vaucluse home.

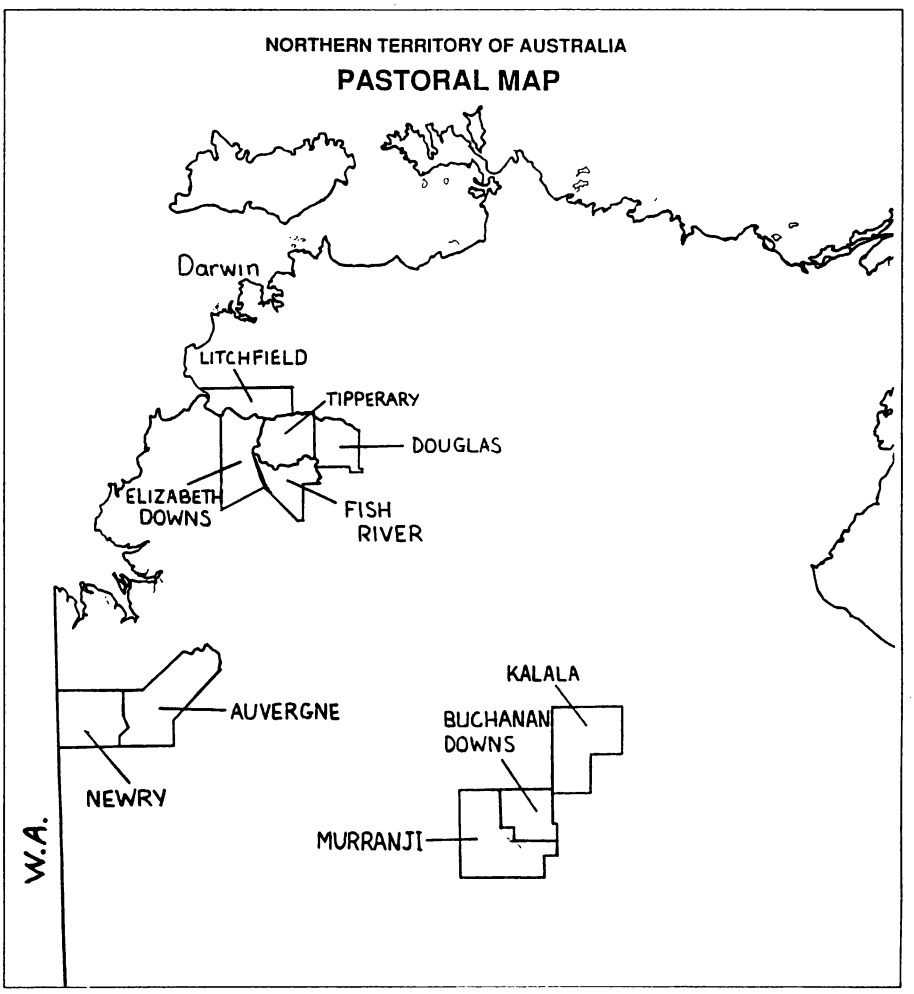
with undivided moiety in the land, improvements, plant and equipment, and livestock.

At the same time, Tovehead created a charge against its assets including its right to serve notice on Owston for various payments. The chargee is the New York branch of the Indonesian Government-owned Bank Bumi Daya which has extended a $US100 million line of credit. It has required Anderson to give undertakings that Tovehead will be able to get its hands on its share of the income.

The Bank Bumi Daya has been closely associated with some of the most powerful political and military figures in Indonesia in the past. Internal embezzlement and bad loans almost sent it broke in the late 1970s. But it recovered to grow strongly in the 1980s, and is now regarded as much more strictly managed. Even so, its exposure with this $US100 million line of credit seems quite high.

Anderson bought the four pastoral leases involved in the deal, including aerodromes, roads, fences dips, yards, plant and livestock for $15.3 million in May 1985. When the fifth property (the Crown lease on Fish River) is included along with the two smaller blocks, the full cost would have been unlikely to be much more than $17 million.

Less than five years later, the sale price for the half-share of Owston's interests was $US80 million, which at the time of the sale was equal to a little



The Anderson properties, a half-interest in which has been sold to the well-connected Indonesian company Tovehead, include four pastoral leases, Tipperary, Elizabeth Downs, Litchfield, and Douglas, totalling 7,435 sq km; an 1,800 sq km Crown lease, Fish River; and two freehold farms, Hillcrest, and a small unnamed block in the Daly River area. Anderson also owns five other pastoral leases, Kalala, Murranji, Buchanan Downs, Auvergne, and Newry, totalling another 16,069 sq km.

over $A100 million, putting an overall value on the properties in excess of $200 million. Even allowing for the major pasture and other improvements Anderson has made to some of the stations since then, in particular to Tipperary itself, the value ascribed by the Indonesians would seem to suggest Warren has driven a very hard bargain.

Tovehead has a paid up capital of $1 million. Its directors are Aburizal Bakrie and Todung Barita of Jakarta, Nalin Rathod of Madras, and Charles Graham of Sydney.

The shareholders are not yet on public record in Australia. According to Graham it is owned by a Hong Kong company, Far East Brahim, which goes back through a chain of companies to the Bakrie Group in Indonesia. *The Eye* understands that solicitors for Tovehead told the FIRB that the owners were to be a Hong Kong company called Cross Head Ltd, which was 70 percent owned by Bakrie Bros and 30 percent by a Mr Japto.

Graham says the Cross Head company was not used eventually and that Japto (about whom he knows

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little) is not a shareholder in Tovehead, although he believes he owns part of another Indonesian company, PT Tipperary, with Bakrie Bros having the rest. A company search in Jakarta, however, shows that PT Tipperary is 49 per cent owned by Anderson's Owston Nominees with Bakries having 37 per cent and Japto Soeryosoemarno 14 per cent. Japto, the son of a general who has been particularly close to Suharto, is a contentious figure in Indonesian business circles.

Oddly, FIRB was apparently told that Todung Barita would be representing Japto, a non-shareholder, on the Tovehead board. Unless there has been a subsequent update, it seems no mention was made of whom Charles Graham was supposed to be representing, although he sees himself as acting for the Bakries.

The idea is that store cattle from the NT will be sent for lot feeding by PT Tipperary Indonesia at Lampung in southern Sumatra and slaughtered at a nearby abattoir. The plan is to produce a minimum of 3,000 to 4,000 tonnes of beef primarily for the domestic market. It will interesting to see whether the NT or the Lampung end is more profitable for Owston.

Apparently, the owners of Tovehead intend leaving management of the NT stations to Anderson. But they have taken the trouble to send a number of their own experts down to inspect progress. One of the most interesting visitors has been Dr Gede Putu who works for the Bakrie group but lives in the village complex that serves President Suharto's ranch at Tapos.

The Bakrie Group is owned by the Bakrie brothers, Indonesians of Arab ancestry who have become one of the most powerful family groups in the Republic. Their business interests are extensive, ranging across commodities trading, steel fabrication, mining, rubber and copra plantations, and the manufacture of computer components. Profits of around $15 million, however, are low in comparison to the level of borrowings.

The family has done well out of government policies designed to support indigenous businesses, although some of their activities are also associated with the Chinese groups who have profited out of

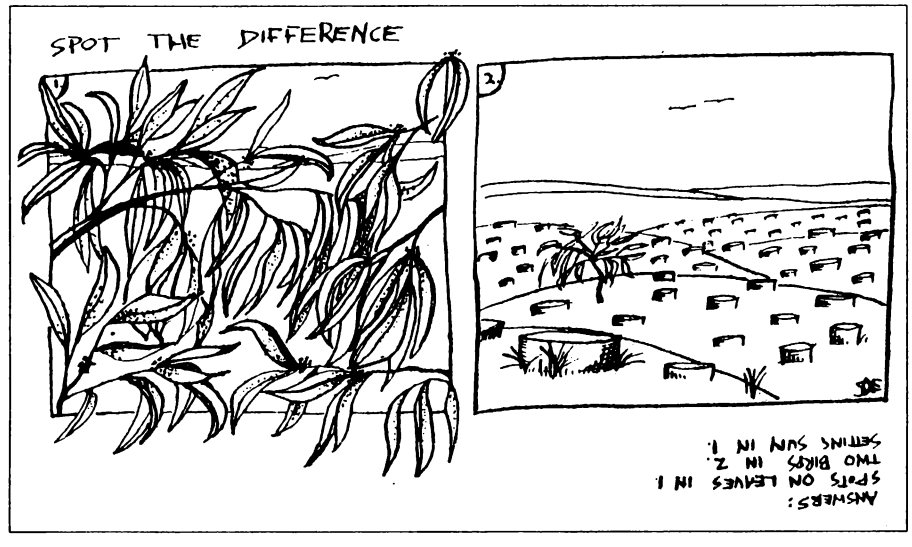
Suharto's patronage.

As well, the Bakries have direct links of their own to the Suharto family. For example, a company called Daya Sarana Pratama is jointly controlled by the Bakries and Suharto's cousin, Sudwikatmono. Last year, together with another Bakrie company, it started up a bank called Nusantara International.

One of the brothers, Nirwan Bakrie, is close to the President's second son, Bambang Trihatmodjo, who owns the rapidly growing conglomerate Bimantara. According to *The Far Eastern Economic Review*, Nirwan helped organise the activities of Bimantara's Hong Kong-based subsidiary Permindo Oil Trading which markets a 10,000 barrels a day allocation from the state-owned oil producer Pertamina. Interestingly, Tovehead's Australian representative, Charles Graham, is also a director of a company owned by Mindo Petroleum, which he says is related to Bambang's Permindo Oil.

In 1983 Graham set up a company in Panama called Asia Pacific Pipe, owned by Mindo and ultimately under the wing of the conglomerate belonging to the president's son. Operating out of Hong Kong it has a 20 per cent share of a large project underway at Cilegon in Indonesia to manufactures pipes for the oil industry. Fortuitously, its partners in this $300 million venture are Pertamina, the steel company PT Krakatau (which is also state-owned), and the ubiquitous Bakrie Bros.

The five stations involved in the cattle deal with the Indonesians vary from virtually unimproved (Fish River) to highly developed (Tipperary). According to Graham, only



about 60 per cent of the area is regarded as suitable for grazing. It is good breeding country but not well suited to cattle fattening.

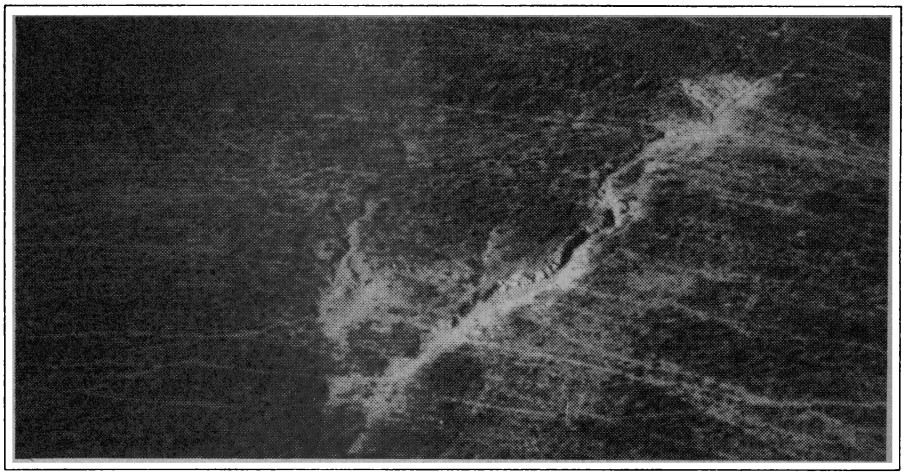
Graham said there were 35,000 head of cattle on the Tipperary group of properties when counted earlier this year. The present value of store cattle for export was $350 a head, he said, with future sales to be in line with market values.

The plan is to increase the number of cattle in which Tovehead has an interest in the NT to 70,000 to 100,000, although it is not expected that all of these can be carried on the existing stations even after further pasture improvement. The type of NT land being sold is not usually regarded as anything like as valuable as areas which can turn off fat cattle worth over $600 or more a head.

Kerry Packer, for example, has just paid a Queensland record price of $13.2 million for one of that State's best cattle-fattening properties, Nockatunga, which runs 15,000 poll herefords on its 8,500 sq km

This sale only emphasises the shrewd deal Anderson pulled off in getting Tovehead to pay over $100 million for an interest in properties carrying (as its share)17,500 store cattle, which bring just over half the price of fat cattle. Obviously, the comparisons are complicated by the different times taken to get the cattle to saleable age and by the scope for further outlays to improve the carrying capacity of the Tipperary group. But Packer appears to be able to turn off the more valuable beast for a capital outlay of only about one seventh of what is being paid by the Indonesians.

Similarly, Robert Holmes à Court bought out the much larger Sherwin pastoral interests for under $90 million, giving him over 1 per cent of the Australian land mass.



Soil movement shown in a helicopter photo of pasture improvement on Tipperary has concerned conservationists

Four days before the Indonesian sale went through, another Anderson company, Moonhill Pty Ltd, paid $10.3 million for three well-regarded stations, Kalala, Murranji and Buchanan Downs, totalling 9,563 sq km.

Even allowing for differences in the properties, the $10.3 million price gives some further indication of why the $200 million value put on the Tipperary group's 9,240 sq km seems especially generous.

Moonhill has subsequently bought another two stations, Auvergne and Newry, for an undisclosed price, adding another 6506 sq kms to the Anderson empire.

This means that Anderson is now only 214 sq km below the 20,000 sq km limit for ownership of pastoral leases. In addition, he has close to another 1,000 sq km as his share of freehold and Crown lease land. Some idea of the size of his NT holdings can be gleaned from the realisation that they are equivalent to a swatch of land 60km wide, running the entire way between Sydney and Canberra.

**Additional research by Peggy Ferguson*

Fresh from his triumph on the overseas student front, John Dawkins strikes again!

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Random signposts to our present discontents

AN unsporting NSW Premier, Barrie Unsworth, stops George Herscu from keeping the Darling Harbour casino licence awarded at the last meeting of the Wran Cabinet. Herscu and his American partner sue and the Greiner Government subsequently gives them $38 million compensation. Unsworth makes an abject retraction in open court of the "imputations" that might have arisen from his decision to knock George back on the casino:

"Some people may have thought that in doing so, I was reflecting adversely on the fitness of George Herscu, Hooker's Chairman, to do business with the NSW Government and to be Executive Chairman of a major Australian company. I did not intend to do so as neither I nor my then Government held any such view. I regret any hurt which unwittingly may have been caused to Mr Herscu and his family."

Given that Herscu is now facing trial in Brisbane on charges relating to the alleged bribery of former National Party minister, Russ Hinze, it is not possible to detail what background facts a prudent NSW Premier might have considered in coming to a decision on the casino licence. But all citizens, no matter what their station in life, can take comfort in the knowledge that the law exists to protect the fine upstanding reputation of the George Herscus of this world.

Despite the moving court endorsement, other people (most notably his creditors) subsequently reflect on Herscu's "fitness" to run a major public company. He is given the flick as chairman of Hooker's. He is also made personally bankrupt, owing an Australian record of $499 million. During the proceedings he makes the magnanimous gesture of offering to pay off his debts at $10 a month.

☆

Paul Keating makes almost $60,000 from his Ministerial Travel Allowance by living in Canberra but claiming his home base is a Sydney house he's never lived in. Dole bludgers can only gaze in wonder. When questioned ever so timorously about it, Keating snaps, "I won't be treated as a dog turd on the pavement."

☆

A long-time friend, Eddie Kornhauser, agrees to provide financially for Hazel and the kids if Bob Hawke's fears about being knocked off by Black September terrorists are born out. Hawke survives and stays as a guest of Eddie on the Gold Coast where he can be seen tooling around in Eddie's open Mercedes.

Concerned that the man is a victim of unsubstantiated rumours, Hawke rebukes Queensland Labor politicians who are opposed to Eddie getting a casino on the Gold Coast.

Eddie misses out on the casino (now Jupiters) but still has the grace to be Bob's companion at high-rolling sessions there and to host drinks for Peter Barron and the Police Commissioner, Terry Lewis, when they happen to drop by. Barron explains he was simply having a break on the Coast from his job as Hawke's principal adviser. Eddie is currently facing charges, which he denies, relating to the alleged bribing of Russ Hinze.

Tom (the Toiler) Hogan plays golf with his friend, the warm-hearted Bob Hawke, who invites him to receptions for the visiting Irish PM and for the Pope. ICAC is established and Tom is the subject of adverse findings in its Report of North Coast Land Development.

☆

The future Attorney-General, Lionel Bowen speaks at a fund-raiser for Labor organ-

Bond and Connell kick up their heels at Observation City

"I have pleasure in introducing the firm L.R.Connell and Partners, as a reputable Australian financier established in Perth. Mr Connell and his associates have acted as my financial advisers in several major assignments over the past 12 months. In conjunction with Mr Connell's major interest in the highly successful Australian merchant bank, Rothwells, the firm is accorded good standing with the Government and the business community in Western Australia."

Labor's Brian Burke writing a reference on Premier's letterhead

"I have pleasure in introducing Mr Laurie Connell . . . Any enterprise in which Mr Connell is interested has proved not only successful but also to the benefit of shareholders and interested parties."

The Nationals' Joh Bjelke-Petersen on Premier's letterhead

"There is a lot of sloppy talk going around this country at the moment that there should be no place in the concerns of a Labor government for the Alan Bonds of this world. I want to repudiate that nonsense unequivocally. It would be a perverse sort of discrimination in our society if we didn't recognise the enormous contribution of the Alan Bonds and the other great risk takers and entrepreneurs."

Bob Hawke 13/11/87

"I am pleased as Prime Minister of this great country to count as a close personal friend and to measure as a very great Australian, Kerry Packer . . . and when you talk of Kerry you almost inevitably lead to Alan Bond. To you, Alan, congrats for all your achievements and may I thank you for your generous comments about the Government."

Bob Hawke 3/7/87

ised by Frank Nugan at his Vaucluse home where a large donation is handed over. Other attendees include the then virulently anti-Labor John Singleton. Frank is co-founder of the Nugan Hand Bank with Mike Hand. Unknown to John and Lionel, Frank and Mike use the bank to shift money for drug dealers, gun runners, and tax dodgers. Innocent depositors such as Kerry Packer are not aware of this either. Nor is a Melbourne *grande dame* who hands over a suitcase of cash to a courier the bank has flown in from Hong Kong. Frank is not one to look a gift horse in the mouth. She never sees the money again.

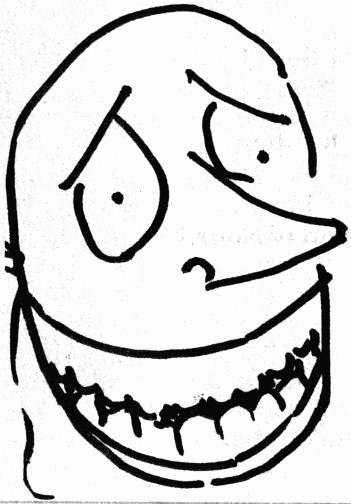
Naturally, Westpac sings Nugan Hand's praises: "Directors are considered capable and reliable and we consider they would not enter into any commitment they could not expect to fulfil." Not to be outdone, the ANZ says: "Nugan Hand directors have proven in their dealings with the bank, capable and reliable and unlikely to commit the company beyond its means." Nugan and Hand are in fact stealing the bank blind.

The auditors play their role. Two of the world's most prestigious firms declare accounts to be fair and accurate. The law will not be mocked — *The National Times* apologises profusely to one of these firms for suggesting that the books kept in the Cayman Islands are a joke.

The bank collapses after Frank is found shot dead. Bank officials, including a former US Admiral, Earl "Buddy" Yates, fly in. Documents are shredded or removed at a rapid rate of knots. Hand is spirited out the country by an ex-Green Beret.

Justice Don Stewart, who comes well recommended by Neville Wran, is appointed to investigate the bank's activities. There is no question of Don's integrity, but the phrase "thick as eight planks" can be heard in the corridors of power. However unfair this judgment about His Honour's intellectual prowess, his findings are rather thin.

Don spends a great deal of energy trying to assure people Nugan Hand had no connections to the CIA, despite clear statements from ex-CIA employees that it did. He refuses to accept that Hand had worked for the CIA although an official record of interview with his former boss in the Agency says that he did. He also refuses to acknowledge that William Colby, whose business card was found on Nugan's body, had worked for the CIA in Vietnam although Colby himself proudly proclaims this in his autobiography. He accepts



NATIONAL RED FACES DAY

In aid of research into SEDS (Sudden Entrepreneurial Demise Syndrome), the baffling disorder that has struck down so many of the nation's heroes in their prime.

DON'T BE SHY, YOU'LL BE SURPRISED WHO ELSE WILL BE WEARING ONE!

Please send me my "Red Face" at once in a plain brown wrapper.
I swallowed/propagated all the guff about monetarism and patriotic high-flying entrepreneurs during the 80s. Now I'll take my medicine like a man/woman in the sober 90s.

ONE COLOUR FITS ALL!

I am a ☐ Politician ☐ Economist ☐ Banker ☐ Journalist ☐ Ordinary beer-swilling Media Manipulee

Name .....

Address .....

the word of Yates but rejects that of a Justice Department-protected witness whose testimony has been accepted in US courts.

No-one is charged as a result of Don's exhaustive investigations into Nugan Hand. He goes on to become the first head of the National Crime Authority. The record there is not a pretty one. In its case against former Labor Minister Al Grassby, the authority relies on a spectacular liar as its main witness and deservedly goes down in an ignominious heap. But something must have impressed Graham Richardson about Don's performance at the NCA — his next assignment is as head of the Resources Assessment Commission dispensing wisdom to tree-huggers and tree-cutters alike.

☆

Peter Barron moves from his job with Hawke to a job with Kerry Packer. His replacement on Hawke's staff, Bob Sorby, moves to a job with Alan Bond. Barbara Ward moves from a job as principal adviser to Paul Keating to a job with Sir Peter Abeles. Emmanuel Klein moves from a job as principal adviser to John Brown to a job with Sir Peter Abeles, etc, etc.

☆

The *SMH's* Colleen Ryan and Daryl Dixon reveal how moguls such as Murdoch, Spalvins, Elliott and Bond pay only a few cents in the dollar of company tax. Hawke and Keating give aid and comfort to the moguls by pouring shit on Ryan and Dixon, saying they don't understand the role of dividend transfers between related companies. The trouble is the Tax Office seems to think they understand it pretty well and hit two of the companies in the Adsteam group with a bill for $90 million. Adsteam refuses to make any provision for the assessment in its accounts with Spalvins, declaring, "there were no significant tax liabilities that need to be disclosed or that are worth talking about". The Federal Court disagrees. The matter is now on appeal.

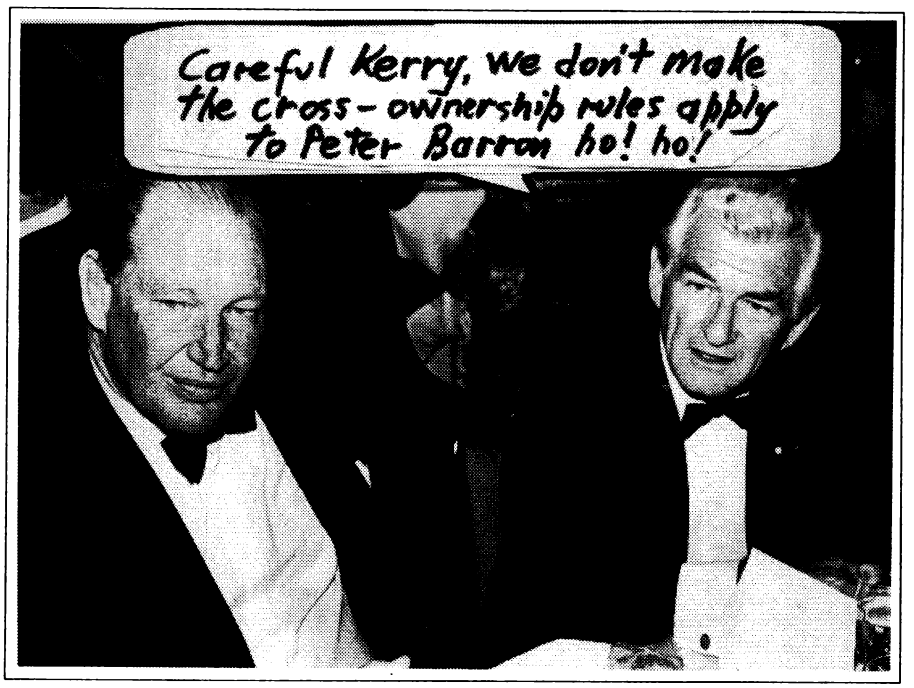
☆

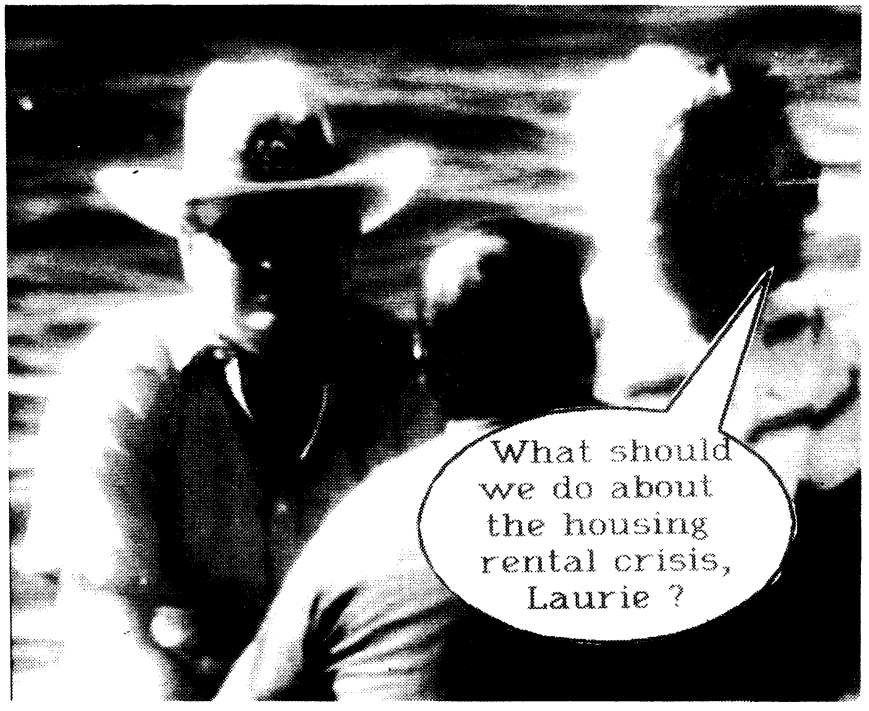
With the Prime Ministership almost within grasp, Hawke has about $5,000 in US and Australian notes, plus an unknown quantity of travellers' cheques, stolen from his suite in Sydney's Boulevard Hotel. Unfortunately, it's no use calling Amex to get some replacements — Bob tells the cops he can't remember who'd issued the travellers cheques.

One of Sir Peter's executives arranges for Tim Bristow to act as driver for Bob on some of his future nocturnal jaunts around Sydney. Tim, who unfortunately does a subsequent spell in Long Bay, is not the sort of bloke to let some lowlife get their hands on Bob's hard-earned money.

Efforts by helpful journalists to prod the police into more energetic attempts to find the origin of the cheques are met with the response that the victim, who by now is PM, is quite happy with the level of police diligence. Despite the best efforts of the Force's finest, the thief is never apprehended.

☆





Connell and Hawke go fishing

A Bond employee claims to have helped bug the phones of business critics of the beer baron. Transcripts of purported phone conversations are given to the Federal Police. Statements are taken from people with supposed knowledge of the bugging operation. No-one is charged.

☆

The Costigan Royal Commission digs into a round robin that's part of a tax scheme in which hundreds of millions of dollars appear to go through a suburban bank branch. Criminals from the Painters and Dockers Union are used as directors of some of the companies involved. Costigan has the temerity to comment adversely on QCs giving advice on highly artificial schemes in which he claims clients are told, in effect, to put their heads in the sand and not know what's going on. *The National Times* makes the error of reporting the public hearings of the Costigan Commission with a front-page headline referring in the same breath to eminent QCs and to hardened criminals. The unrepeatable words used are altogether too much. The full majesty of the law comes down upon the paper's head.

Its editor, David Marr, resigns after a senior editorial executive at Fairfax insists he run an apology to Bill Priestley QC. Instead of your usual couple of paragraphs grovel, it's a half-page job about the inalienable right of lawyers to give advice and how Priestley has always acted in accordance with the highest standards of his profession, etc, etc.

What is not acknowledged in all the hand-wringing is that Priestley not only gives advice on dubious tax schemes, he is also a participant in one convoluted arrangement. The companies again end up with Painters and Dockers as directors, although Priestley argues he has no part in this. As he later explains, he believes the scheme to be legal. The Tax Commissioner demurs, disallowing his claim. Priestley does not appeal.

Taxpayers will be pleased to know these days they fork out for Priestley's salary as a revered member of the bench of the Supreme Court of NSW.

☆

Keating and Richo write to a Townsville court giving character references for Warren Anderson who has been charged with failing to declare a loaded pistol he has brought in from PNG on his private jet. The mag-

Thrillseekers! Earn three rousing cheers at your next extraordinary general meeting: join in the wacky sports craze that is sweeping the world

BONDY JUMPING

No elaborate equipment or skills necessary: simply attach an additional credit line to a bloated international entrepreneur, strip off his assets, push him off the top of a high debt structure and see how far he can fall before the line snaps!

Exciting! Breathtaking! Nail biting! Whose nerve will give way first? Which can stretch furthest — a string of promises or a line of credit?

- Can be played by Bankers, Bill and Debenture Holders and even ordinary shareholders!
- No more dangerous than hang-gliding, para-sailing or investing your life savings in a reputable financial institution!
- **FULLY GUARANTEED** to be as much fun as having your head dunked in the toilet!

YES, I'M COMPLETELY NUTS!

In for a penny, in for a pound! Please rush my name onto the "Bondy-Jumping" waiting list before it's too late.

Name ....

If credit line over $1 million please include signature of Legal Guardian or Custodian

ROGER RAFTERY

istrate gives Warren the thumbs down but an appeal court lets him off, partly on the grounds that he was not really "importing" the gun because he had taken it out with him in the first place.

Keating joins Anderson and Kerry Packer for a spot of rapid-fire pig-shooting by helicopter in the NT. The acclaimed fiscal disciplinarian also attends the 40th birthday bash for Cheryl Anderson, who receives a bejewelled choker worth an estimated $2 million from Warren.

Other attendees include the wealthy tax lawyer, David Baffsky. Cheryl tells friends she lies about in a Roman bath wearing the choker and sipping champers.

Warren defends his employment of the murderous thug, Tom Domican, on the grounds that he is simply an "Irish bully boy".

One of his favourite builders, Multiplex, turns its hand from giant office blocks and shopping centres to put an extension on Richo's home. Richo explains that when he's paying good money he likes to hire the best.

☆

Pick a year, any year, and the national corporate cop, the National Companies and Securities Commission, get peanuts in Federal Budget.

☆

Not to be outdone by its upstart predators, BHP lifts its skirts and buys 20 per cent of John Elliott's Elders after Elders buys 20 per cent of BHP, thus stymying Holmes à Court's takeover bid for the Big Australian. Luckily, a Monaco-based associate of Elliott, Richard Wiesner, is able to arrange a supply of convertible bonds for BHP to make the purchase. The NCSC can't trace the bond holders who make a $90 million profit.

☆

Rothwells Bank hero and private art collector Laurie Connell is put on the board of the National Gallery at Richo's instigation. A man of taste and discernment, Laurie knocks over seven river-front homes to make room for what is touted as Australia's biggest house. The '87 election out of the way, Hawke goes fishing off the WA coast with the stylish tycoon.

Apart from owning 400 racehorses (and being found to have no part in an "elephant juice" scandal surrounding one Perth Cup winner) Laurie is vice-patron of that august Labor fund-raising body, the John Curtin Foundation. A leading financial journalist describes Laurie as one of a band of "brave young men fighting for a common cause, the making of money" Brian Burke writes him a glowing reference on Premier's letterhead. One of his subsidiaries gives a $250,000 donation to Labor. How much is given *in toto* is not publicly known. This is one of the many things the McCusker Report into the Rothwells collapse does not tell us.

What we do know is that the WA Labor Government, together with Bond, pays a ridiculous $400 million ($300 million of which McCusker describes as a gift) to Connell and his partner Dallas Dempster for a petro-

chemical project. Not a shovel has been put in the ground for a project in which Connell originally bought a half-interest for $400,000. The Government's share of this madness is $175 million. The effect is to let Connell pay off $350 million in non-performing loans from Rothwells, most of which are owed by himself. Why they are so desperate to save Rothwells is never explained.

☆

The glossy business magazines give pride of place in their Rich Lists to "brokes" like Abe Goldberg and Christopher Skase while ignoring people like Abe Saffron who are actually rolling in the stuff. But standards must be maintained and we all know that there are question marks over how Abe Saffron made his money.

☆

The WA Government's decision to chuck millions at Connell is bolstered by an "Information Memorandum" from the merchant bank, Wardley's, which gives an enthusiastic report on the prospects for the petrochemical plant. One of the most reassuring aspects is its description of the project manager, an outfit called Gofair, as "a Hong Kong-based company with extensive petrochemical plant construction experience". Gofair is due to get $58 million in fees from the project.

Wardley's parent is the Hong Kong Bank so it might be expected to know if a company with such extensive experience was based there. But no one, least of all the bank, comes forward with any evidence that such a petrochemical construction company exists.

What does exist is a company called Gofair Investments which is involved in the operation of a casino in a hotel in Sri Lanka. Dallas Dempster is present at the signing of an agreement with the hotel, and two of his former employees work at the casino, but he denies reports that he owns the show.

Wardley's managing director, James Yonge has a $750,000 loan originating from Rothwells. The McCusker report says there is nothing improper about this but it would have been nice if he had mentioned this at the time he was helping organise the initial Rothwells rescue effort. Unhappy with its own loan position, Wardleys dumps Yonge, who remains chairman of the Maritime Services Board, a position Nick Greiner appointed him to because of his superior business skills.

☆

The National Crime Authority closes its Perth office. Obviously there isn't enough serious crime there to keep it busy. The Authority's Melbourne office collates a mountain of information on Bond and then drops any further work on the lad. This can only mean he is as clean as a whistle.

☆

Richo takes a ride on a Bond corporate jet for a hard-working visit to Exmouth Gulf.

Multi-culturalism at work

The last edition of *The Eye* reported that the Feds might have to revise the account they gave the Winchester Inquest of listening devices revealing that a "mafia hitman" had spoken about shooting the Assistant Commissioner.

The original translation given to the court had such phrases as; "I had to shoot him in the head... I even have the gun here... I had to hide the pistol... in the hole with all the bullets... the one that died, he talked too much... your father promised that I would kill the one who is against the OMERTA".

The Eye noted that a more accurate translation was that an Italian visitor had been talking quite fondly about a "headjob" with an obliging Aussie sheila.

None of the mainstream media followed up this linguistic breakthrough at the time. When the Coroner was given an improved translation some weeks later, all but the *Canberra Times* retained a remarkable coyness about the new phrasing, despite giving plenty of play to the original "hitman" version.

In fact, the police told the inquest in the more accurate translation the word "bullets" did not appear, nor "OMERTA", nor were there any references to a gun, or hiding a pistol, let alone to the death of someone who talked too much.

There was one reference to a "shot in the head" in 500 hours of material but this needed to to be seen in the context of what the Feds now described as one and a half hours of "bedroom activity" containing such phrases as (male) "Oh, what a shot!" and (female) "It's ticklish". *The Eye* has decided to assist by issuing the following guidance to the appropriate levels of the AFP:

CIRCULAR TO ALL TRANSLATORS, INTERPRETERS AND ELECTRONIC SURVEILLANCE OFFICERS

Our Southern European Languages Advisory Board has issued the following updated list of obscure Calabrian and Sicilian dialect colloquialisms.

Literal Translation	Colloquial Meaning
"head job"	assassination by means of bullet to head
"hand job"	assassination by means of brass knuckles
"blow job"	safecracking
"go down on"	put in the boot, disregard Queensberry Rules
"oral"	French Connection
"sixty-niner"	approx. 70% pure heroin
"SM"	stockpiled marijuana
"bondage"	Omerta
"chock-a-block"	Italian "fruit growing" property
"golden shower"	S.E. Asian heroin flooding the market
"the Greek way"	[see backs, Mediterranean file]
"spank"	see smack
"a taste of the whip/lash"	Third Party insurance fraud

☆

Sir Peter hires a New York member of the Mafia, Benny Eggs Mangano, as a consultant on transport matters. Sir Peter, who pays Benny Eggs and a partner $300,000 via the Cayman Islands, explains he did not know he was a member of the Mafia. Time passes. Benny Eggs becomes underboss of the Genovese family and Keating puts Abeles on the Board of the Reserve Bank.

Don Stewart says everything is hunky dory after the Liberals' Ian Macphee drags scraps of information out of the NCA about tapes of phone conversations apparently relating to the transfer of money overseas by Sir Peter. Stewart may well be right.

☆

Solicitor John Aston is shown in a one of the better sections of Stewart's Royal Commission to have used his trust account to hide the transfer of money for the Mr Asia drug syndicate. One of his law clerks, Brian Alexander, disappears without trace. The Law Society takes no disciplinary action on the Commission's findings.

☆

Lionel Bowen appoints takeover expert, esteemed corporate lawyer and Rothwells director, Aleco Vrisakis, to an advisory committee on the establishment of the new Australian Securities Commission. He is in good company; other members include Tony Oates of the Bond Corp, Peter Scanlon of Elders and mini media mogul, Edmund Rouse. Vrisakis is actually chairman of a sub-committee of the A-G's advisory body on corporate law when the McCusker Report draws attention to the way he and other directors ignored information about the "very serious problems" with the Rothwells loan portfolio. McCusker unkindly cites evidence given in the hearings about Aleco, who was staying at Connell's home, directing that an unfavourable report of the bad debt situation be destroyed. Aleco disputes the accuracy of these claims.

Rouse undoubtedly still has a serious contribution to make to ASC committee meetings but he is unable to attend as he is the unluckiest businessman in Australia — he is in jail.

☆

The Federal Court rules that the Tax Office can't see Citicorp files on a tax scheme in which $100 million is shifted through the Cook Islands for Abeles and Murdoch subsidiaries.

☆

"The company's performance represents the elements of 'a fairytale' rather than the normal management of a limited liability company." This is how a court-appointed liquidator describes Roward Pty Ltd, a company headed by Malcolm Edwards. The liquidator says, " I do not propose to cover all the questionable representations made by Edwards, claiming to have authority of lending organisations such as the International Banking Corporation of Togo . . . The deception to applicants for large loan funds is clear and voluminous."

A string of other Edwards companies go belly-up, including Heraton Foods and Bread Industries. But he finds $600,000 to deposit with Nugan Hand after Frank's untimely death. Edwards denies claims in Treasury documents that he "was involved in some very questionable loan dealings with Bolivia and Ghana". Unfazed, he goes on to bring off several big time property deals, often in association with Kerry Packer, and is the leading light in the push for a space station on Cape York. As is only befitting of a man of his background, he is made president of the Company Directors Association of Australia.

☆

Spedley's Jamie Craven displays a fine appreciation of the proper function of the law. He tells a liquidator's hearing that if he had any doubts about a deal he would get Jim Beatty, a partner in the snooty law firm of Baker and McKenzie, to "sprinkle holy water" on the documentation. Over a billion is at stake in Spedleys.

☆

A Fairfax editorial executive writes a memo suggesting Colleen Ryan do a "Guide to Campervans" as a cover story. (And stop this silly "knocking" of our corporate heroes!)

Horse Talk

Navy cut

Recreational drug use by some parliamentarians makes most footballers look like wowsers. One famous parliamentary user of the magic weed has even attempted to grow a small plantation of the stuff on the NSW south coast. Accordingly, it can only been assumed that the Minister for Defence Science and Personnel and former High Commissioner to Jamaica, Gordon Bilney MP, was confident that his colleagues were not about to be subject to random tests when he issued his stern warning about dope smoking in the Navy. When some naval ratings were drummed out of the service for inhaling off duty, Bilney canvassed the possibility that he might have to introduce random testing across the entire services.

Go get 'em, Gordon: we can't have dangerous pot heads at the helm, can we?

Bizarre deals in the arms bazaar

Not for Hawke the milksop approach adopted by the Menzies, Whitlam, and Fraser governments of discouraging arms exports. Yet luck is not exactly running our way in all our new-found keenness to make our mark in the ranks of the "merchants of death".

We'd hardly started flogging engine parts to the Iraqi airforce before it was no longer considered polite to help arm the "Butcher of Baghdad". Only the month before, we were about to sell ammunition to that island of tranquillity, Sri Lanka, when the deal was stopped by some unsporting publicity from Channel Seven's Dennis Grant.

The sale of the Mirage fighters to Pakistan, however, is proceeding undeterred. This should please the Pakistanis no end, given the astonishingly low price we've accepted and given the problems they're having with the Americans.

The Government's announcement about what was included in the Mirage deal was remarkably coy. All it said was that the Pakis were getting 50 Mirages and "associated stores and equipment" for $36 million. What has not been reported is that we are throwing in an extra 59 Atar jet engines and virtually all the contents of a factory to rebuild the planes and engines. The *Far Eastern Economic Review* called it a "bargain package".

In fact, the price is ludicrously low. A single RAAF F-18 fighter costs about $40 million. Getting 50 Mirages, even if second-hand, plus 59 spare engines and factory equipment for a total of $36 million is a joke. The engines range from almost brand new to well-used. New Atar engines cost over $1 million each.

Since we made the sale, the Pakistani government of Benazir Bhutto has been sacked by the President amid well founded complaints of high level corruption.

However, the military have emerged in a much stronger position, which is of little comfort to those concerned about the Pakistani nuclear weapons program.

According to reports from Washington, Pakistan appears to have developed the ability to fit its F-16 fighters with nuclear bomb racks in violation of the terms under which they were bought from the US.

The Americans are demanding the agreement be adhered to. We will need to be more understanding if we want to keep a toehold in the market.

THE RETURN OF THE EXILE

By Deborah Smith*

A FEW weeks ago I received a telegram from my girlfriend in Moscow, asking me to telephone her. I was alarmed. Had our friendship got her into trouble? Fraternising too much with Westerners is still regarded with suspicion by Soviet conservatives.

She had already come to official notice at the Communist Party Congress in July when a speaker expressed outrage to the thousands of delegates present that there was a young woman in the audience wearing shorts (culottes, actually).

But there was no reason for concern. She had simply tried to book a telephone call to see how I was faring back in Australia. There was a week's delay. It was then that she discovered that the telegram existed.

Body Politic

Intelligent and well-read in the classics, my friend, like most Russians, is quite naive about present day life in the West. And she is starry-eyed, particularly about Australia, which had long been her favourite country before we met in February in Moscow.

Despite her apparent sophistication, many of the things we take for granted are marvels to her. She thought it incredible, for example, that a friend in Sydney could send me flowers in London for my birthday.

Although she carries an old credit card in her purse for show, she didn't really understand how they worked.

For both of us, the friendship brings valuable insights. It has given meaning to all the newspaper reports about the abject misery of life for Soviet citizens that can only get worse as the economy collapses.

But I've also become conscious of the responsibilities east-west friendships bring as the other side rush to swap their tyrannies for some of ours.

Originally she had no idea how much I earn, nor what she should be paid by visiting Australians needing interpreters. She has no idea of business. She relies on honesty and generosity.

She has a deep-seated moral objection to using the blackmarket in her own country — for how long, I don't know. Which of the people I might know going to Moscow would I want to introduce her to?

She as yet understands little of the values of an Australia where men like Kerry Packer can flourish, gambling with millions of dollars for personal pleasure and then sacking the staff at Channel Nine overnight in the name of financial responsibility.

Of course her contacts with the westerners will bring her a better life. But as she learns more, so will her frustration with her Soviet lot increase.

She and her husband have a relatively good set-up for ordinary people but they have little chance of moving out of the room in the Moscow flat they share with her parents.

In East Germany, the mood has soured since the fall of the Wall, with 350,000 people having lost their jobs so far this year.

In Czechoslovakia, you see the impact of the free market in the brittle, self-conscious smiles of the novice strippers in nightclubs that are springing up to cater for the huge influx of rich tourists.

What also stands out as Europe realigns is the waning of British influence. The Deutschmark rules in Eastern Europe.

Hungarians talk romantically about linking up again with Austria. Italy — optimistic and prospering, but split by a north-south divide of wealth and opportunity — is aligning itself with these two countries along with Czechoslovakia and Yugoslavia to form a bloc against the resurgent Germany.

French journalists had no trouble finding French-speaking citizens to talk on television during the Romanian revolution. Old ties between these two nations are now being strengthened.

Russians and Australians are similar in that they talk openly and despairingly about their economic woes. But the British soldier on, not seeing the

growing numbers of unemployed youths on the street, in the same way that they can ignore the person pressed up against them in the tube.

A new category has to be added to the class system — the "under-class", which includes older people, single parents, sick people and the street dwellers. Their future looks bleak.

Russians look disappointed when you tell them that this part, at least, of the propaganda they learnt about the West is true.

Britain's neglect of science and technology has contributed a good deal to its economic problems. Compare it to technologically strong countries like Japan and Germany. Yet Tory ministers still say science is not a key national issue.

And so Britain's best are leaving. I was surprised and pleased to learn last year that Paul Davies — a hero to those who enjoy the philosophical questions posed by modern physics — was emigrating to Australia because of the more sympathetic scientific climate here.

At least you have a minister for science, he said.

And, apart from the ABC news fanfare, one of the most noticeable changes about Australia is that science is finally on the agenda. The influence of the environmental movement is another.

But, nevertheless, there was the Prime Minister accepting the inaugural Academy Medal from Australia's scientific elite at the end of August for his government's contribution to science. All those years of budget cuts were forgotten.

Barry Jones seems big-hearted about it, too. He feels no grudge. If Hawke's conversion helps the cause, he doesn't even mind if the PM ends up thinking he invented the idea of supporting science, he said.

Jones sounds genuinely content that he managed to make the portfolio "too good for someone like me."

I recently looked forward with excitement to a boat trip down the Blue Danube in Czechoslovakia. When I got there in July the river was brown. The banks were covered in industry. President Vaclav Havel admits his country looks like World War III has hit it.

The uniqueness of Australia's environment — something it is easy to become blasé about — is what is most striking after three years in Europe.

It's good that the environmental movement here has developed a sophisticated PR machine. They appear to have extremely good access into the media. But in the brief time I've been back I sometimes wonder about their science.

What I'm sure of is that the time is now past for polarised debate. Little is gained from watching, as I did at a recent Canberra conference, the nuclear industry slog it out with the anti-nuclear lobby.

Who should we believe about the potential of renewable energy, for example — the nuclear scientists who say it could never be a big factor in a world energy crisis or the solar supporters who say it could?

It would be far better for independent scientists who know about generating power to sit down and really work out the scientific possibilities for Australia, with its specific resources. Then debate the politics.

A few Australian scientists may have finally found their political voice over science budgets. But Australia faces a serious shortage of young people choosing science at school, presumably because its financial prospects are poor.

One of the most encouraging things in the Soviet Union was the new-found enthusiasm of the more politically active scientists. To help tackle their economic crisis they hoped to work out priorities for scientific research. They want to coordinate the expertise available on issues like environment, the law and health.

They feel an extra responsibility for their country's problems and an extra responsibility, because of their expertise, to help fix it. Scientists here are unlikely to get rich. But if potential students felt they could influence events, it might be encouragement enough to join the ranks.

** Deborah Smith has returned from working in Europe for three years to be the science writer on the SMH.*

Money Talk

Dear Keith,

Brace yourself for a battle. We managed to get through the Rothwells report without any of those turkeys picking up on that gold mining scam, but I think we've got real problems with Trico. The Victorians have laid the groundwork for a corporate perv's bonanza. They're baying for blood. It's a Labor government with no bloody idea of what you have to do to make a quid in this country. They've already proven that they're hopelessly incompetent when it comes to business themselves, and now they're on the attack.

Those wimps from the State Bank of Victoria have probably loaded into Trico every crook loan they ever made. Even Ian Johns couldn't have got it wrong for three out of four loans. Can't you see it — grey little lending officers who only ever approved mortgages for fibro houses going "hey, hey, we've got a merchant bank now, let it rip!"

I'll arrange for a clipping service to forward you all the Royal Commission coverage: and I'll be in touch on strategy if they seem to be getting close to any of our deals.

I've got a theory about these State Labor governments. I reckon it's South Australia's turn next. We haven't heard a lot about the State Bank of South Australia — yet. But Timothy Marcus Clark, who runs it, seems to have had a hankering for New Zealanders — a bit of a kiss of death in the 80s. He showed great character judgment when he backed Alan Hawkins out of Equiticorp (who went belly-up and now runs a dry cleaning business while living in a mansion owned by his family trust). Marcus Clark not only lent Hawkins around $100 million, but he joined the Equiticorp board for a while as well. And when the State Bank of South Australia wanted to expand, what did it buy? A New Zealand Finance Company. The State Bank already has its own finance company in Australia (Beneficial). It will be interesting to see how its loans pan out.

On the private sector side, South Australia has its very own entrepreneur, John Spalvins. He might have made his name for paying almost no company tax through the 80s, but if the Tax Department has its way he may be one of the only guys who pays more than 100 per cent of his profits in tax in the next few years. It is all just waiting to happen. WA and Victoria, here we come. Wonder if they'll follow through with another female Premier, just to round it out.

We lost Robert Holmes à Court a few weeks back. He was saying some pretty interesting things just before he died about what really went on in BHP. He was scathing about John Elliott. He felt that Elliott was a bit of a fall guy in the BHP takeover battle, and that he didn't have any control over that swag of BHP shares he bought back in 1986 — which is rubbish, of course, because the NCSC had a big inquiry into the whole thing and found it was all kosher — and they wouldn't get it wrong, would they?

Holmes à Court pointed to Sir Ian McLennan, former chairman of BHP and backer of Elliott, as being an important go-between. He told an amusing story about the expression on McLennan's face when he ran into Hacca getting out of the lift in BHP House one day in the middle of it all.

Kerry Packer is getting a real caning these days. But the McCusker report showed that there is a very compassionate side to him. Some people think Kerry is a callous thug, but he was really nice to Laurie. He was the one who really helped out with the Rothwells share price after the October 1987 market crash.

McCusker showed how Kerry's Consolidated Press Investments was the most important buyer of Rothwells shares in the few months after the crash. So it was good to see that Kerry has had a bit of success in WA. He and Warren Anderson have just managed to sell out a major interest in their Westralia Square project to the Indonesians. That was the site they assembled, thanks to the SGIC, in 1988.

Your mate Sir Arthur George has been having a rough trot lately. Two of the blokes that he has given a lot of support to over the years have dipped out.

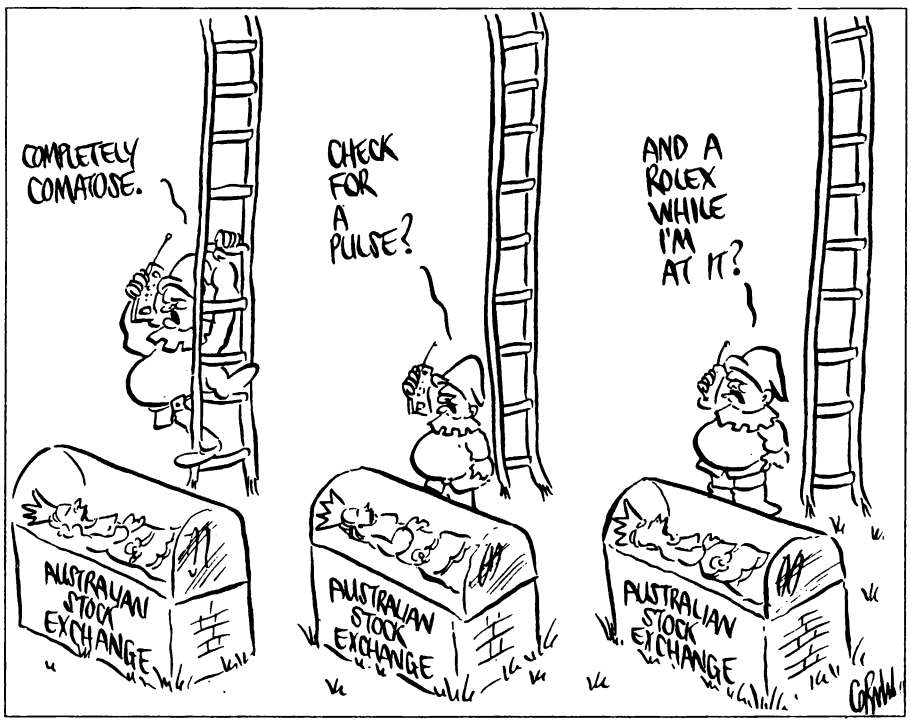
Ron Hodgson threw himself over the Gap. Business was crook in luxury cars and Sir Arthur couldn't be expected to help him out any more.

Then Stanley Hamley, whom Sir Arthur has known since Stan's days at AGC, has spat the dummy over their Quadrax group.

Sir Arthur has really been saddled with the problems in that one. The shareholders have gone ape. They want to know when they're going to get back the $16 million that the public company lent to Stan and Arthur's private group. Arthur just doesn't seem to fully understand that when you go public what little nuisances shareholders can become.

Hope you're enjoying the sun in South America.

Cheers ARABELLA.



Murder most foul

"For quite some time I have been sitting on a story about a (Federal) cabinet minister, one of the Mr Bigs of business, and what looks like a very grubby murder. I have spoken to various witnesses but none, understandably, is keen to be named, let alone prepared to go to court to testify to the veracity of their claims. Documents corroborate some of the claims, but almost all are hearsay. Unfortunately, because of Australia's defamation laws, the story remains privy to me"

SMH 14/7/90

THE above words were written by Tom Burton as part of a plea for the liberalisation of Australia's defamation laws. It gave no more detail about the supposed murder, leaving that to all sorts of tantalising word-of-mouth speculation that followed in its wake.

It would hardly seem the happiest example with which to attack Australia's defamation laws. Indeed, there is no reason why Tom could not have written about the death he had in mind and stayed within the constraints of the libel law. In fact he's written in detail about one particular unsolved murder in the past — that of a Sydney accountant Hans Tondl — and stayed well clear of the law's clutches.

The story demanded a response. Soon after the SMH ran it, Hawke took the easy step of demanding that Tom hand over any information he might have to the relevant authorities. He also upped the ante by adding that as he looked around the Cabinet table he did not believe he was looking into the eyes of a murderer.

Burton replied that the authorities already had all the information to which he was referring. Maybe they do, but a check around the traps has failed to unearth anyone who acknowledges having anything that could conceivably be said to link a Cabinet minister and a business Mr Big to a grubby murder.

A lot hangs on the accuracy of the story for the reputation of both Burton and the SMH. The former Opposition Leader, Andrew Peacock, has made the point that it's hard to think of a more serious issue involving a Cabinet minister. The claims have gained added credibility because of the respect Tom has deservedly earned for his coverage of policy issues from Canberra.

Unless we've all been fooled, he is too good a journalist not to be able to produce the goods. At the very least, he can be expected to publicly acknowledge what murder he is talking about and reveal precisely what authorities already have the necessary information to follow up his claims.

Tom Burton

Hans Tondl

Given what's at stake, the SMH presumably will insist he comes up with the story or will find some other forum in which to vindicate itself. Whatever happens, the claims can scarcely be left hanging in the air and the paper still boast about its reputation for quality journalism.

If the SMH's lawyers advise that the full story can't be written, then the obvious course is for a "safe" version to be printed and the rest handed over to some form of official inquiry with the subsequent results to be publicly announced.

Strangely, the lawyers' advice has not yet been sort. For some unexplained reason, Burton wrote the story without telling the Fairfax lawyers what it was about. Not did he tell his editors before it went in the paper.

The normal thing for a journalist working on a story as important as this one would be to keep editors informed about progress and to consult with the paper's lawyers about ways of getting it into print. Drafts of the story would be written and changed in the light of the legal advice until something was available in publishable form.

Even within the constraints of the existing libel law, there is no reason why Tom could not have published his murder story provided he had his facts right. Getting the facts right is the hard bit, of course, but if you're going to implicate someone in murder it would seem a reasonable prerequisite. A great deal could be published, however, that stopped well short of accusing the Cabinet minister or the businessman of murder.

For a start there was absolutely nothing to stop Tom reporting the facts of the death, starting with who was killed and how. With good legal advice, which the Fairfax lawyers are quite capable of giving if asked, ways could be found to word a story that mentioned associations that the murdered person may have had with either the politician or the businessman.

But Burton did not seek such advice before going into print. He asked some

general questions about the "public figure" defence under US law, but gave no indication that he was going to associate Australian public figures with a murder. Unfortunately, the way in which he has implicated both the Cabinet minister and the businessman in the murder has made it much harder in any future article to set out what information he has.

Apart from a deep ongoing interest in the Tondl murder, Tom is known have been making inquiries about another murder, that of a John Vale. For a while, there was a police theory that the same person might have committed both murders. One view circulating among journalists was that this person was supposedly on a retainer from one of Australia's most prominent businessmen.

One reason journalists familiar with the cases have not written the common-murderer story is that they have no convincing grounds for doing so. According to the head of the Tondl murder investigation, Garry Mathews, the police have checked extensively for connections between the two murders but have been unable to come up with any.

He said he has spoken extensively to Burton, but is not aware of anything that could reasonably be said to provide a link to a big businessman or a Cabinet minister in this case.

Tondl worked as an accountant in the 80s for Henry Winter and Associates, which was best known for putting syndicates of doctors together to finance aircraft purchases in ways that had the usual tax advantages. Winter was creaming off hefty commissions from the aircraft manufacturers and the doctors ended up losing a lot of money.

The best-known customer for the planes was Wings Australia, which collapsed in 1984. John Aston, who was named adversely in relation to the Mr Asia drug syndicate in the Report of Stewart Royal Commission, was a director of Wings. A NSW policeman who was dismissed from the force, Bill Duff, also acted on behalf of Wings during visits to PNG in its planes.

Some of Wings' personnel and planes re-emerged in its successor company, Pelair, which caught the headlines after one of its jets crashed into Botany Bay in 1985 and another was involved in an aborted drug search at the Port Moresby airport after the then PM Michael Somare intervened. Somare had been conducting business negotiations with Pelair representatives—a subsequent Inquiry found no wrongdoing on the part of any of the participants in the incident.

During 1985 Tondl had a falling out with Winter and started going through various files, some of which he took home. Police are unsure what files were involved — Winter had a large number of clients apart from his involvement with Wings. An angry Winter visited Tondl at his home, demanding return of the files. On one occasion he was accompanied by an unidentified man police are still anxious to interview.

In 1986, Tondl, who had moved to more congenial employers, told associates that he feared for his life and spoke of receiving threatening phone calls. One detective on the case, Paul Mayger, was quoted as saying, "He told a particular person that he knew some incredible things about some people in incredibly high places and the person was going to be in big trouble.

He said that when the news about this particular person broke, everybody would be astounded."

Foolishly, he neglected to protect himself by telling others exactly what he knew. At 10.30 pm on September 18, 1986, Tondl answered the front door of his Mona Vale home and was

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killed by two shotgun blasts. His killer has not yet been discovered.

Three weeks earlier, at 2.35 am on August 29, a transport company boss and night club owner, John Vale, was shot four times with an M1 carbine as he climbed out of his red Porsche 944 in the garage at his Kenthurst home. While Tondl was a devout Christian and quiet family man, Vale was a flamboyant rake who'd been married four times and was living with a de facto at the time of his death.

One theory about his death was that a small trucking company with which he was associated had links to a powerful businessman who was also connected to Wings/Pelair. But as far as this magazine has been able to discern, no-one in any official capacity has been able to come up with a plausible motive for this person to want to murder either Vale or Tondl.

According to the joint murder theory, however, they were both killed by a hitman who in the past had been paid a form of retainer to perform other services for the businessman's firm.

However, instead of this hitman, a disgruntled former employee was charged with Vale's murder in August 1986. A magistrate subsequently found he did not have a case to answer, so the real killer remains free.

Few journalists would deny that the existing libel laws are a mess, allowing juries to grant huge financial damages to people whose reputations have suffered little or no harm. They have helped protect many of the corporate and political crooks who dominated Australian life in the 80s, although this protection was nothing like that extended by journalists and media executives who shoved one another aside to fawn all over the same crooks.

(Executives who now like to talk about the role of an independent press went to extraordinary lengths to prevent publication of material unfavourable to the cowboy antics of the 80s.)

Despite the frustrations of the libel laws, however, most journalists would not want to accuse people of murder on the basis of nothing more than hearsay evidence. But they do want serious information relating to a murder to see the light of day.

Over to you, Tom. The next instalment should make for lively reading.

The Walkleys

Capitalism at work

CHRIS Anderson forgot the first rule of capitalism. Empty slogans about "managers' right to manage" might be useful for giving the flick to a union trouble-maker but they don't count for a rat's arse when owners decide to exercise their rights as owners. Owners can be treated as a joke when the shareholding's spread across a stack of "little investors" and lily-livered institutions. But when one person owns the show, as Warwick Fairfax does, that person's the boss.

With his mother having only a minority of non-voting shares, Warwick can pick whomever he likes as board members and managers. He can also kick 'em out any time he feels like it. That's capitalism.

To hear Anderson on radio the day after he became managing director at Fairfax you would never have guessed he understood this fundamental fact. There he was on 2BL calmly discussing how Warwick could easily end up with only 5 per cent of the company. It was Anderson at his best; sounding relaxed, matter-of-fact, authoritative.

The only trouble was that it was all bluff. He didn't have the authority, as Warwick's swift boot up the backside was soon to prove.

Cheekier still, his on-air relegation of Warwick to 5 per cent equity came at the same time as he was quietly working on an option prepared by Goldman Sachs which would leave executives such as himself owning up to 15 per cent.

Everybody seemed to be operating on the assumption that Warwick was a wimp. Yet the same people had seen his unswerving determination in taking over the company in the first place and his unyielding poise as Tom Hughes QC tried unsuccessfully to skewer him day after day in the witness box in an ensuing court case. Warwick was not about to see his equity quietly reduced to 5 per cent while his managers suddenly bobbed up with 15 per cent. Fairfax badly needs an injection of capital, but hundreds of millions of dollars of the stuff, not penny ante equity schemes for executives that are a hangover from the 80s. They are no solution for Fairfax in the 90s.

It was not really a matter of Anderson overreaching himself in terms of talent. Sure, it looked like the former "dog-of-the-week" writer for the *Sun-Herald* was aiming high, but he could look around and see bigger donkeys than himself who'd gone further. And sure, young Warwick hadn't done anything to deserve ownership of a media empire. But that, too, is capitalism. Warwick owned it and Anderson didn't.

Warwick mightn't own it for long, but he owned it at the crucial time for Anderson. If Anderson and some other directors didn't want to stay unless Warwick restructured the company the way they wanted him to, then they could go, and Warwick would get in some new people. There are plenty around.

The boardroom tussle produced some intriguing journalistic suggestions, particularly in *The Australian*, that the banks might regard Anderson's departure as a "materially adverse change" in the company's circumstances and therefore sufficient grounds to call in their debts. All that was happening was that one executive was going out the door, another one was arriving. It happens every day. Although the banks found Chris amenable, they would need a lot more than the demise of the former "dog-of-the-week" specialist to trigger action that would ensure a very messy battle over what constituted a breach of the lending covenants.

There were even more ludicrous suggestions that the staff might walk out if Anderson went. Anderson may well have been happy for this threat to be bruited about at both a boardroom

and a banking level. But no-one bothered to check with the staff who found the prospect decidedly unappetising. Why would they want to put their jobs on the line for Anderson? They had gone into bat for him once before, only to find him come back and load himself up with a fat salary, a massively subsidised loan, a fancy car and a play for a significant slice of equity.

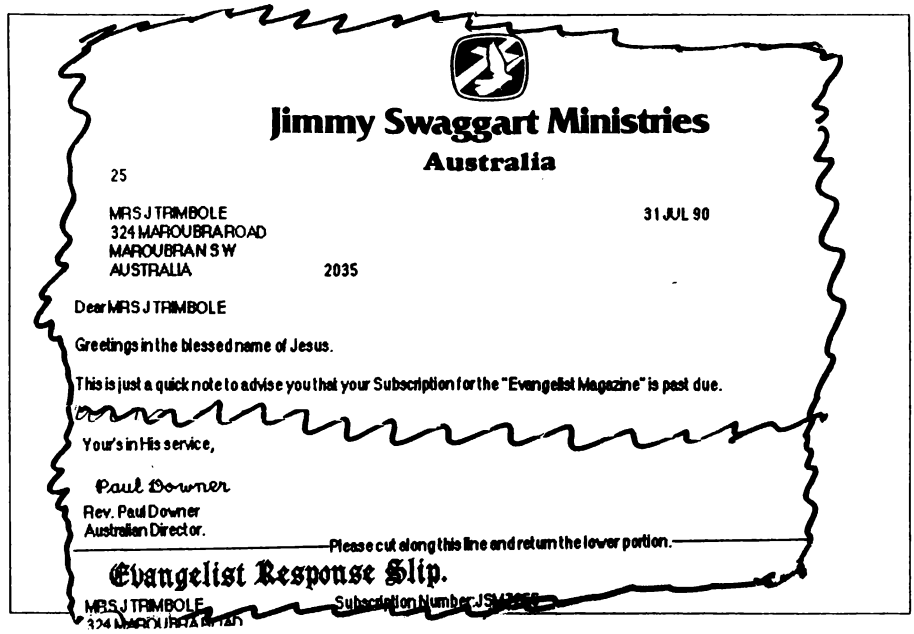
Admittedly, under Anderson journalists were given more freedom than under his predecessor, Max Suich, but there is every sign of Warwick being even more liberal now that he has taken over from Anderson as MD.

The notion that Warwick was turfing two "independent" directors off the board is even stranger. Just about every story referred to Bryan Kelman and Bob Johnson as the "independent directors" and implied how awful it was that Warwick was about to place his boot squarely up their precious behinds. In what sense could they be "independent"? Their duty was to the shareholders, i.e. to Warwick and his mother.

Kelman made the intriguing remark at one stage that material relating to restructuring proposals had "got into the hands of Lady Fairfax's advisers. Some of those proposals could have given rise to concern". Apparently Kelman had beenadvised that the US Security and Exchange Commission's rules prevented shareholders seeing anything that was not available to the junk bond holders. But Warwick took the old fashioned attitude that it was his company and he was perfectly entitled as a director to reject any restructuring proposals that might be tossed around by his fellow directors and equally entitled as a shareholder to lop their heads off. (Under capitalism, shareholders appoint directors.)

Before he took over as chairman, Kelman announced that he had only taken the job after getting outside advisers to run the the ruler over the company and assure him it was financially viable. We got the usual patter about how such a well-respected businessman "wouldn't be taking the job unless he was satisfied, etc, etc." When he was given the elbow, Kelman went public (in the *SMH*, to its credit) complaining about how difficult the financial outlook was.

Bob Johnson is an even more interesting study. He is the goose who, as



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It's good to know someone's tending to the spiritual needs of Bob Trimbole's widow.

Governor of the Reserve Bank, helped fuck up monetary policy in this country. As the same time, the banks threw prudent lending practices out the window and credit growth blew out to alarming levels. Not that he didn't issue the occasional platitude about financial rectitude — shortly before he retired as Governor he warned about the pitfalls of junk bonds. Then he joined the board of a company that was awash in junk bonds, presumably to help rescue it from such wayward behaviour.

The theory was that the banks would be soothed by the presence of a former Reserve Bank governor on the Fairfax board. Perhaps. But why this should be so is not readily apparent. The banks may have to brown-nose whoever happens to be Governor at any point in time; once he's gone he's just another ex-bureaucrat whose skills have to stack up in the marketplace.

For Fairfax to survive, more profits have to be wrung out of the newspapers and both Warwick and the junk bond holders have to be convinced to take a bath. Perhaps Johnson was more skilled in these areas than at presiding over monetary policy. If so, his work was still to bear fruit at the time of his departure.

Not that we should worry too much about his personal financial position now that he is no longer a director. A strong believer in the discipline of the marketplace, he accepted an offer of a 130 per cent pay increase as Reserve Bank Governor a couple of weeks before he retired. His superannuation benefits increased commensurately.

Equally bizarre as the notion of "independent" directors was the *Financial Review's* habit of referring to "advisers for Warwick" and "advisers for the company", as if there were really two separate entities. For all intents and purposes, Warwick *is* the company.

This will change, of course, when he no longer owns it. The horrendous debt levels he created with the 1987 takeover mean that it is highly unlikely that he can maintain majority ownership of the existing empire.

Nor has he been helped by the massive drain on the company from a succession of payments to various executives and advisers. It started with $6 million being split in descending order of magnitude between three executives, Greg Gardiner, Max Suich and Fred Brenchley, at the time of the takeover. At least they had put in long years with the company. Brenchley had been a good reporter and a good editor, Suich had been a good editor.

Then followed a multi-million payout to Marty Dougherty, who got it coming and going — as part of the "success fee" on the takeover and then as an axed executive shortly afterwards. More recently another multi-million payment was made to the departing MD, Peter King. Anderson had two bites at the cherry, getting

one golden handshake when he left for a few days at the time of the take-over and a second on his latest exit.

As well, a raft of advisers have got in for their cut. The most spectacular has been Laurie Connell, who picked up a $27 million "success fee" for helping Warwick borrow up to the gunnels.

The Whitlam/Turnbull/Wran bank was also in for its chop. The fees from Fairfax generated well over half its total profit in one year of operation. A swag of other merchant banks, brokers, and lawyers have been in on the act, with no end in sight. Fees by now must be getting close to the $100 million mark if not already past it.

It has been commonly assumed that Anderson, widely regarded as "the banks' man", will retake the helm when the banks finally move in on Warwick. But Anderson has apparently taken a job already with the O'Reilly media group and if the banks do move in, it may be only to flick it on to new owners.

The obvious candidate waiting in the wings to pounce is Kerry Packer with Rupert Murdoch sniffing around to see if there's some way he, too, can play. Turnbull, Wran and Peter Barron reportedly are working hard on ways for Packer to end up with all or most of the Fairfax assets.

Barron, a former adviser to Hawke as PM and to Wran as NSW Premier, has been mooted as the new editorial manager if Packer gets his paws on Fairfax. However unnecessarily, journalists who have been critical of Wran or Hawke and their mates in the past could be excused for showing some concern about their career prospects. Liberals mightn't be over-joyed about the prospect that Wran could be on the board, either. And we could all look forward with interest to the future editorial stand on such Wran *bêtes noires* as the Independent Commission Against Corruption or on Packer's various *contretemps* with the Tax Commissioner.

Some commentators, of course, claim Packer is not really enthusiastic about getting back into newspapers. However, Holmes à Court told colleagues before he died that Packer had become quite passionate as he outlined to him how he intended getting control of Fairfax and personally sacking anyone, including sub-editors, who had anything to do with what he regards as the unwarranted publicity he got at the time of the Costigan Royal Commission.

Although he owns the Nine TV network, the cross-ownership rules should not prove an insuperable barrier to Packer getting control of Fairfax. No-one should be surprised if the Hawke Government were to let him keep the network until he found a satisfactory buyer or worked out some ownership structure that satisfied the letter of the law.

The more interesting test will be if all those business leaders who are now calling for a new corporate culture in Australia are prepared to let the country's most influential group of newspapers fall into the hands of someone who already dominates the magazine market and has his fingers in dozens of pies that deserve independent media analysis. The calls for a new approach to business behaviour in Australia in the 1990s will be nothing more than a pathetic joke if the principal watchdog — the press — is run by only two players, Packer and Murdoch.

It is not inevitable that Packer will gobble up Fairfax. Unless he is paying a whacking great premium for the power that media ownership can bring, he must find the proposition financially viable. If he does, others can too.

The possibilities are there. Warwick accepts he will have to reduce his own equity and is now scouting around for new ways to restructure the company. A lot of time was spent by the old management in trying to "talk down" the value of the junk bonds. Opportunities to mop some up at a discount may have already been missed — indeed, there are unconfirmed reports that someone else has accumulated a significant stake that could prove hard to shake loose.

But investors who are prepared to wait for a return could find it worth backing Fairfax. Over time, returns from the papers will increase (especially if money is available for more productive printing presses) while the interest payments will stabilise or fall. There is no reason why Japanese and other overseas groups with a reputation for patience should not be offered a minority interest. Support for moves to market Fairfax's information skills in Asia, for example, could boost profits in the longer term.

But it is really up to the Australian business community to focus on

Pussy-footing through the libel jungle

THOSE few optimists who hoped for substantial reform to the defamation law will be disappointed with the proposals in a discussion paper issued recently by the NSW, Queensland and Victorian Attorneys. Nevertheless, the proposals do represent a small step in the right direction.

Not unexpectedly, the paper rejects the idea of a public-figure defence similar to the one available in the US. Material about public figures can be published in the US so long as it is not done with intentional or reckless indifference to the truth.

The US defence does have its drawbacks but instead of trying to come up with an improved version, the Attorneys simply rely on the assertion that public figures should have the same rights to sue as other citizens.

Instead, the biggest change is likely to be in the area of justification. At the moment in Victoria, truth alone is a defence while in NSW and Queensland, there is the added requirement of public interest and public benefit respectively. Each state has indicated it would be prepared to accept a defence of truth alone, with the proviso that private matters could not be revealed unless they were genuinely in the public interest. So while NSW and Queensland jurisdictions would become slightly more liberal, Victoria would become more restrictive.

While one might agree that the bizarre sexual habits of a public figure should not be revealed for their own sake, what if an organised crime figure was supplying prostitutes to a politician? What about a politician's friendships with a corrupt businessman? If such matters are true, shouldn't they be published?

Qualified privilege is an alternative defence where, to succeed, a publisher must show that its conduct in publishing was reasonable. The difficulty in NSW has been that the courts have held that the conduct had to be reasonable for meanings never intended. This situation is a legal nonsense and has meant that the defence is hardly ever used. The NSW Government intends to reform the law so that the defendant will only have to prove its conduct was reasonable in relation to meanings intended. Unfortunately, this will not overcome the problem of having to prove unintended imputations in relation to other defences.

The paper also considers three different issues connected with the scale and unpredictability of damages awarded by juries. Should damages be capped? Should they be awarded by judges not juries? And should exemplary damages, which punish or deter, be abolished?

These issues have as much bearing on the freedom of journalists to publish as the substantive law because recent high damages in NSW have pressured media companies to settle cases or not publish at all rather than risk court costs up to $1 million.

Exemplary damages were abolished in NSW in 1974 but since this has not been sufficient to control damages, the NSW Attorney-General now supports placing an upper limit on damages and giving judges a greater role in assessing damages. Victoria on the other hand supports neither "capping" nor the abolition of exemplary damages.

While Victoria would allow a judge to give guide-lines to a jury, it still wants juries to assess the damages. Queensland would give judges the power to decide damages and is considering abolishing exemplary damages but does not support capping.

Most supporters of defamation law reform agree with the idea of court-ordered retractions or corrections. Each of the States is considering introducing a system of corrections but it is not yet clear whether the plaintiff will have to establish a case for a correction before the court can order one. Corrections would avoid time consuming and expensive litigation.

The discussion paper does nothing to address a problem not present in other areas of the law; i.e., the onus is on the defendant in a defamation case to prove what it has said is true. The onus is an especially heavy burden when, in some stories of great public interest, sources are not prepared to be named by the author. The chairman of the Press Council, Professor David Flint, recently suggested that a "reasonable belief in the truth" should be sufficient.

The Attorneys have also so far ignored the expensive technical nature of pre-trial proceedings which are as much a problem for defendants as the substantive law itself.

WENDY BACON

whether they want the sort of media structure needed for the healthy functioning of a modern economy in a liberal democratic society. Financially, Australian institutional investors or individual companies prepared to kick enough money into Fairfax to allow it to ride out the current recession should come up trumps over time.

But more than that is involved. If leading Australian business people genuinely believe that vigorous — and independent — media are vital to a restoration of the country's financial reputation, they should back plans that would ensure a wide spread of ownership in a restructured Fairfax.

It doesn't matter if Warwick takes a thumping loss in the process. There is no reason, however, why readers (and journalists, printers, artists, etc) should be punished for the rank folly of his initial grab for power.

Hearing impaired

Media critic Gerard Henderson did not enjoy getting a knock-back after offering Andrew Olle the privilege of interviewing him on ABC radio about his book *Australian Answers*. He told readers of his *SMH* column that he found it "offensive that some writers appear to get a run only because of their criminal backgrounds".

He was particularly miffed with Olle's interview on his morning radio program with a businessman turned bank robber named Morley, who had written a book called *Greybeard*. Henderson scolded in his column that Olle interviewed Morley "for more than half an hour" and "needless to say" gave him a sympathetic hearing. It was just one more example, Henderson complained, of the media making a hero of a villain and neglecting the victims of crime.

Henderson's piece contained errors of fact and distortion that could never have made it into a news story. But it was in a column and these days it seems that's OK. In fact, Olle did not interview Morley for anything like half an hour, let alone make a hero of him. He also gave prominent expression to concern about the victims of the bank robberies. (No-one was shot but one teller in particular has apparently suffered serious trauma.)

What Henderson neglected to tell his readers was that a Bank Employees Union representative, Geoff Mitchell, was also interviewed by Olle in the same segment and phone calls were taken from the public, most of which were unfavourable to Morley. Although you would never have guessed this from reading Henderson's column, a significant amount of time was devoted to the

Q: Have you ever seen a Premier as happy as Wayne Goss to "lose" a major project before?

A: I want to make this absolutely clear — I will not tolerate racial slurs on our northern neighbours.

Q: Do you think that SA this time will gain more than when we last assisted in a state-of-the-art technology transfer, namely at Maralinga?

A: I don't see what the colour of someone's skin has to do with the issue.

Q: Won't there be enormous infrastructure costs, with any recoupment a long way off in the distant future? And with State finances being . . .

A: I'd rather keep the racial element out of the debate, if you don't mind.

Q: Don't these wonder projects often turn out to be white elephants in the long run and are then dumped onto the shoulders of the long-suffering taxpayer?

A: Why don't you just jump into bed with National Action and be done with it!

Q: Won't the MFP add even more pollution to an already polluted river?

A: Though I may not be as emotional in public as my esteemed colleague Mr Hawke, I will not tolerate racism in any shape or form. Our fathers fought and died in two world wars!

ROGER RAFTERY.

union's proposal that criminals who write books about their crimes should not be allowed to keep the royalties.

Henderson is nothing if not audacious. In criticising Olle for ignoring the victims, he wrote, " During one robbery where Morley brandished a replica firearm, it apparently achieved its end — according to the Bank Employees Union, a female teller has still to recover from the traumatic experience."

What Henderson refused to acknowledge is that this is precisely what the Bank Employees representative said on the Olle program. It is the sort of omission regarded as serious enough to put an end to the career of a cadet journalist. For Henderson to have admitted the information was actually broadcast on the program, however, would have shattered the whole basis of his column.

It's a pity — Henderson's better media criticism has turned a much-needed spotlight on an industry often too protective of its own behaviour.

It's not too late, however, for the interview about Henderson's book to go ahead. Olle could start by asking whether Gerard felt, if he had his time over, there was anything he might like to change in his approach to such luminaries as John Elliott, Alan Bond and Larry Adler who grace its pages.

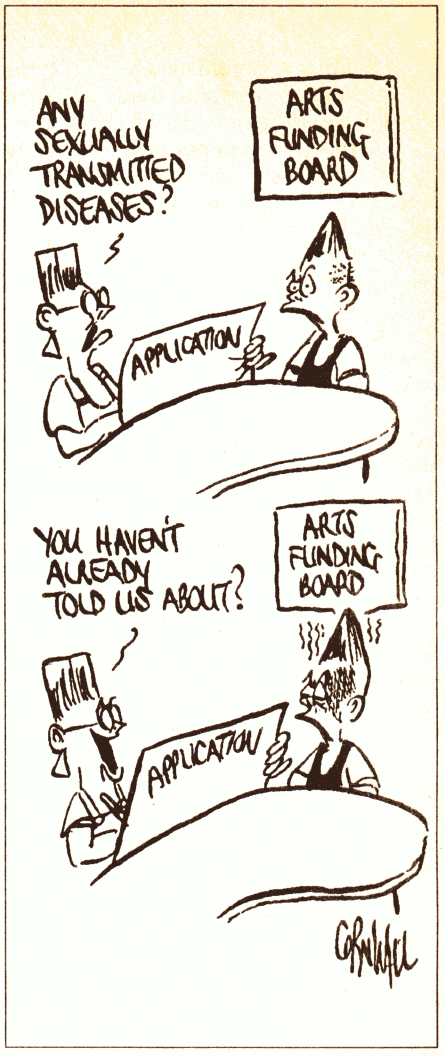
The Rupert Murdoch "demonise the enemy" award

The Fairfax *SMH* easily outpointed Murdoch's *Mirror* which could only come up with a slightly premature "We support our boys at war" banner above its masthead. This was no match for the *SMH's* headline: "Threat to eat captured pilots"

The threat was covered in the body of the story by one sentence about what an unnamed French reporter said on an unnamed French TV program that an unnamed Iraqi official had said would happen to any Western pilots they shot down. It later transpired that the French journalist was relying on an interpreter for what was allegedly said.

Readers were told nothing about what checks were made on how literally the translation should be taken, or whether there might have been some other colloquial meaning. (This assumes rather heroically that the whole thing wasn't made up in the first place.)

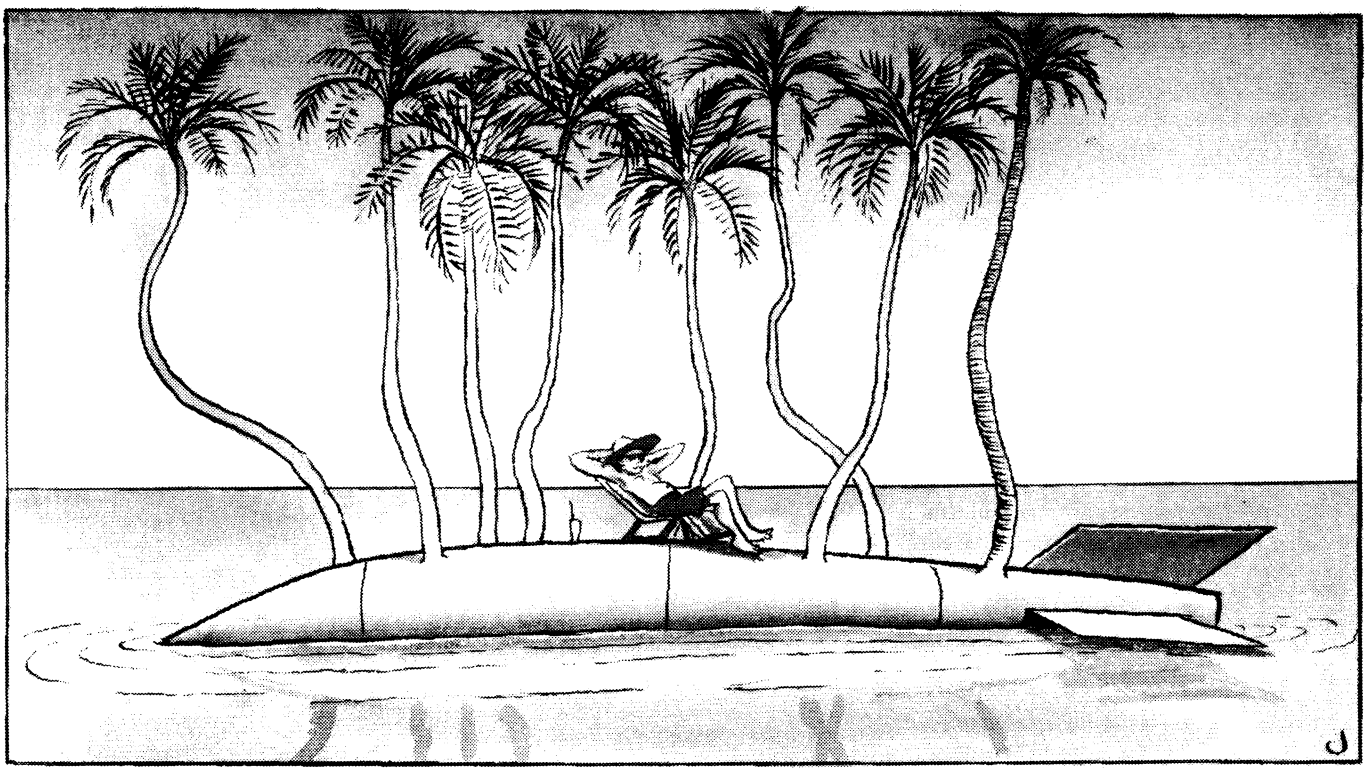
Still, Rupert's London papers have left the *Herald* for dead in their hysterical efforts to start a war, preferably with nuclear weapons.



Long Bow Award

As part of his coverage of the Winchester inquest, the *SMH's* Evan Whitton noted that at one stage a helicopter had landed in one of the police-sanctioned marijuana crops. Evan cheerfully added that two disgraced NSW cops, Roger Rogerson and Bill Duff, had got medical clearances for pilot's licences from the disgraced medico, Geoffrey Edelsten; ergo Rogerson and Duff could have flown a helicopter to knock off the crop.

The next day Evan backtracked a little, noting that Rogerson and Duff had not sought a pilot's licence until 1985. Given that they were only going for licences for a light plane, not a chopper, it might be just as well they did not attempt Evan's suggested method of harvesting back in 1981.



Col. Jake Cutter Rides Again

A Day at the Beach

By John Birmingham

A HUGE wall of water loomed up out of the night. Lightning crashed into the sea somewhere nearby, throwing the scene on the deck of the submarine into the stark, monochrome relief of insanity as time itself froze. Lonely John crouched at the edge of a dinghy, runaway fear pinching his cheeks and giving his eyes a haunted, horrified aspect. Lonely John hates water. I was conscious of the black metal hull stretching back into the night behind me, of the submariners safely inside their steel cocoon beneath my feet, and of Oscar warm and dry and probably drinking port after dinner some 2,000 miles away. I did not have time to curse him before the flash of hard, white light was gone, dissolving into ozone, electrons and ghosts, and the water pounded down on us like a black wave of destiny.

IT had been a cold winter in Canberra, but Oscar, Lonely John and I sat in deep leather chairs, drinking snifters of old *Napoleon*, sucking thoughtfully on Davidoffs and basking in the warmth of all this tax payer funded luxury. We'd jacked the central heating up into the red zone and simply left it there three or four months ago. We had the commies on the run just about everywhere, a massive new line item in the black budget for travel and accommodation in the South Pacific and some rather special eight by 10 glossies of a future Inspector General of Intelligence involving acts against the order of nature with a Ronald McDonald glove puppet and a number of common farm animals. So despite the sleet which slapped mournfully against the picture window, and the wind which howled across the grey wastes of the national capital we had passed the winter in relative comfort. All this changed with a memo which arrived with the morning tea and sticky buns.

Oscar had dunked his bun and was cramming it away in two bites when his eyes suddenly bulged out on their stalks and he choked so violently that I thought the Expenditure Review Committee had managed to have him poisoned at last. Lonely John moved around behind him and administered a couple of beefy slaps on the back while I buzzed for the medics on the intercom. But before I could get through, Oscar recovered and waved me away from the button. He leaned back in his chair, pulled on his tie and drew in a series of long shuddering breaths.

"Jesus, Oscar," I said. "I haven't seen you like that since Finance reviewed our Amex accounts."

He had some trouble breathing and talking at the same time. His face faded from purple to its normal high crimson. Taking an old handkerchief with a tremulous hand he mopped away the jewels of sweat which had gathered on his brow.

"Look at this, just look at at it would you," he muttered, indicating the memo which lay in front of him. His head jerked from side to side but he couldn't take his eyes from the sheaf of paper, which seemed to inspire the sort of disgust normally associated with finding a big, wet hippo turd lying in your action basket. I leaned forward carefully, remembering how ASIS had once sent cocktail party invitations dipped in poison gas.

The note, on Treasury paper, with a FIRB letterhead, announced the approval of a huge tourist development linked to the proposed Cape York Space Port in far north Queensland. Sited on a tropical island in the Whitsunday Passage, the resort would have a 21st-century theme, with a four-star hotel built in the image of a giant "Friendship" class Soviet/American joint space station. The island would be ringed by "satellites," ie. a number of floating bars, discos and sporting facilities, all

linked by under water perspex tunnels.

"So what's the problem?" I shrugged, mystified.

"Yeah," said Lonely John. "You want we should get up there and knock off a coupla greenies before they start making trouble?"

"No, n,o no," Oscar wailed. "I want *you* to go there and start making trouble. You don't understand. This is right on top of *my* island, *Chez Oscar*. Beryl and I bought a bungalow there 10 years ago. We were going to retire there."

He leaned forward and examined the memo again. "I was going to fish and read books... Beryl wanted to build little huts out of sea shells for our grand children. And now the whole place is going to be sold to a lot of greasy foreigners."

His voice became harder. "I want this stopped before it gets any further."

THE roar of the wave filled the whole world as it smashed me into the hull. The air was driven from my lungs and I thought I was drowning as salt water filled my mouth and pushed it way down, causing me to gag violently. Terrible black flowers bloomed in front of my eyes as a strange warmth spread through my body, inviting me to sleep.

Lonely John saved me by smacking me around the head until I came to. He dragged me into the dinghy as the hull of the submarine slipped away from beneath us. We spent the next two hours fighting the storm until, just before dawn, it died away almost instantly. Lonely John took a reading from the satellite positional finder and we made for the resort development.

It crept into view a short time later. Most of the island's vegetation had already been cleared away, replaced by luxury units in the shape of lunar landers. Hovercraft which resembled the space shuttle rocked gently off shore awaiting the chance to ferry hundreds of retired Japanese golfers and prisoner-of-war camp guards up on day trips to the space base at Carpentaria.

I didn't see that knocking this place over was going to do Oscar any good. It looked to have been well and truly fucked up by professionals a long time ago. But we had our orders.

We cut the outboard and paddled silently over to the first of the floating discos. Lonely John prepared a charge but as we were placing it a searchlight suddenly burned off the predawn gloom, catching us cleanly.

THEY threw us to the slimy concrete floor of the command bunker. "So this is the famous Colonel Cutter and the lonely Monsieur Jean who have been causing us so much embarrasment in New Zealand," sneered Mitterand.

"The Frogs!" muttered Lonely John. "Should have known."

"Silence! Colonial swine," he barked. "You have intefere with my plans once too often. The Greenpeace debacle was bad enough but if you think you are going to get into the way of Nouveau Mururoa you've got another think coming."

I ducked my head between my slumped shoulders, affecting an attitude of defeat so that he could not see me snap the catches on my wrist watch and rotate the face, setting the timer on the small charge of semtex.

" . . . ways going on about how we should be testing our bombs on French soil, well now you are on French soil, convict offspring. Surprised eh! I guess you should have looked at who was really behind the Japanese who were buying all of your pathetic little islands, ha-ha-ha-ha!"

I flung the watch bomblet into the chest of the nearest and largest body guard.

Lonely John sprang at the guard nearest to him, cutting him down with a blow to the sternum. He grabbed the machine-gun and swept the room with a burst. Pandemonium broke out. Mitterand made a break for it but I took him down with a flying tackle. For a fat, flatulent drunken lefty he put up quite a struggle and I had to bang his thick head into the floor a number of times before he'd submit.

"Help me move this fat bastard," I cried to Lonely John as I took hold of the unconscious President's legs.

We carried him out to a jetty, tied him to the warhead they had been planning to test that afternoon, dumped the load into a motor boat and set it on a fast course for the deep Pacific. Then we returned to the complex and hunted up some croissants for brekky.

"Oscar's not going to very pleased about the French turning his island into a nuclear test site," said Lonely John.

"No," I agreed as I thumbed the remote detonator. "And we must remember to stay away from any fish he catches."

"Mmmmhh," mused Lonely John, as he closed his eyes against the warm bath of white light which ballooned up over the horizon.

NSW POLICE FORCE

Pro Bono Publican

TACTFUL RESPONSE GROUP

In the light of its "community policing" policy of sensitivity to changes in public opinion, the NSW Police Force proposes to establish a "Tactful Response Group". If you are a serving officer who feels you've "got what it takes" please fill out the following questionnaire.

1. How do you break wind in public?
   (a) quietly (10)
   (b) apologetically (5)
   (c) with a sledge-hammer, the same as I break everything else! (0)
2. Which type of wedding gets you all misty-eyed?
   (a) church (10)
   (b) registry office (5)
   (c) shotgun (0)
3. While your kiddies are safely tucked up in bed at 1am, a car runs over and kills their pet dog. How would you break the news to them?
   (a) lay on a surprise garage sale of unconsumed PAL cans the following morning. (10)
   (b) kick their bedroom door open immediately and apprise them of the situation man-to-man. (0)
4. Do you regard Aborigines as
   (a) equals (10)
   (b) coons (0)
   (c) no more detestable than civilians of any other colour, creed or race (5)
5. When you accidently bump someone in the street do you say
   (a) "Excuse me." (10)
   (b) "Watch it!" (5)
   (c) "Hit the deck, motherfucker— this is a bust!" (0)

SELF ASSESSMENT

(Following the enormous success of the Australian Taxation Office's policy, the NSW Police Force is currently adopting Self Assessment with all deliberate speed. It is hoped that the Internal Affairs section will be able to be abolished altogether.)

Above 40 points: Excellent. Please present yourself to the Recruiting Sergeant immediately after choir practice.

Below 40 points: Have you ever considered the Tactical Response Group, SWOS, or psychosurgery?

ECSTASY

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forum

Going In

I had an international experience a while ago that I'd like to share with your readers. My neighbour 'K' is a small, beautiful emirate with hard glistening oil rigs thrusting up through her full golden mounds of sand. Her long rich credit lines shimmer under the hot desert sun.

I am not a huge country, but I do have a *standing* army of one million *hard core* fanatics.

We've had a history of flirting with each other but nothing serious ever came of it . . . until last month. She had been leading me on for some time promising to lower her prices for the other *members* of OPEC when I wanted her to raise them just for me.

She played this game with me day after day, driving me into an absolute frenzy. I didn't think I'd be able to contain myself any more. My tank divisions began swelling at her wide open borders.

And then as I always knew she would *she invited me in.* (Honest she did!) I thrust into her like a madman, again and again, my hot guided missiles of love finding their mark and making her say she'd always wanted it this way.

Now I have moved into her place for good. But I don't think the neighbours approve.

Saddam H.

The Big Tease

I've always had this thing for dark and dusky rich Arabian nations but whenever I'd hint at our relationship becoming something more than just casual they'd either become very coy or even get all uppity accuse me of trying to violate them. All I wanted to do was slip a few rockets in. It's not like I'd come inside them with a whole Airborne Division or anything. I was beginning to think my ground forces would never get a leg over there.

And then the unthinkable happened. One of the hairy mad-dog characters that hang out in that neighbourhood just up and invades one of these babes. Boy, did their story change then. There was no more nibbling and teasing, they just opened up and begged me to enter them. I couldn't believe it, and you can bet I didn't need asking twice. In fact I phoned up my buddies and brought them along, too.

George B.

Phone Sex

I've always fantasised about being called up on the telephone and used by a powerful man. It was one of my deepest and until recently unrealised desires. But then the unbelievable occurred. George rang me! I'd always thought I was too small for him to worry about, but he said no, he wanted me and my little gunboat! He was planning a party for a couple of friends. He absolutely guaranteed that it would get "out of hand" and he wanted me there. The words were scarcely out of his soft moist lips when I was shuddering with anticipation. "Oh yes, yes, yes", I moaned, "I coming I'm coming . . ."

Bobbie H.

JOHN BIRMINGHAM

Smart Arse of the Month

Having to answer a question on why poverty exists in Indonesia, I came to the conclusion that people were poor in Indonesia because they didn't have enough money.

ACTU Secretary Bill Kelty
SMH/Age Colour Magazine

VICE-REGAL DIARY

Monday

I have been having second thoughts about Kierkegaard. While the conventional view hails his contribution to philosophy, his achievement seems less clear when you regard it (as I do) from the Hegelian perspective. I think I shall write a monograph on the question.

My earlier paper, "Does Existentialism Really Exist?", is with the editors of the Journal of Philosophy, indeed has been with them for some considerable time. Today, I had the new fellow who's replaced Smith (can never think of his name) give them a call to find out what the devil is going on. Informally, of course – I'd never suggest that an academic journal should publish work merely because it had been penned by a Head of State. Just remind them, I said adroitly, of its EXISTENCE. I don't think he got the joke.

I must confess that I am eagerly anticipating the publication of these contributions, modest though they be. After all, it is all part of the progress of human reason – the onward march against darkness that so occupied Mill and Hume, Kant, Schopenhauer and all the others whose tomes grace my shelves. It is, also, perhaps, a contribution that may uniquely be made by me. It is, after all, hardly common for such a wealth of knowledge and experience to have been gathered by a single individual. From my early role in the administration of justice, through the long years of Government, to my current duties safeguarding the Constitution, mine has been a lifetime of civic responsibility. But it has also been – and this is what I find so grievously amiss in today's politicians – a contemplative one.

Who, today, lives the life of the mind? No, my Government sometimes depresses me with its boorishness. When you put a yob at the top, you must expect yobbishness beneath. It is precisely because of that, it seems to me, that my contribution to philosophical debate is not without importance. It helps redress the balance.

Tuesday

Have had to be rather firm with PM&C over the quality of the briefings given to me about the military situation. I mean, here we are in a situation of grave strategic importance, and who does Defence send over from Russell Hill? A pimply captain with a school atlas! Got Codd on the phone and told him in no uncertain terms that it wouldn't do.

Good God, Codd, I said, don't you realise who I am? "Yes, Governor-General," he replied, "You're the Governor-General." I told him not to Governor-General me – I was addressing him as Commander-in-Chief.

I told him I wanted a real briefing, in one of those war-rooms where admirals push model boats around with those funny sticks. He said he'd see what he could do. I doubt that anywhere in the annals of military combat has a Commander-in-Chief been treated so cavalierly as I am today. I am very angry.

Wednesday

A Naval commander came over from Russell Hill today – some kind of progress, I suppose, though I would have preferred a commodore. He said that they don't push model boats around with sticks anymore – they keep track of everything by computer. He produced a machine that looked hardly big enough to handle my cook's shopping list, and we pulled down the blinds and set Inspector Plod to guard the door from Hashemite spies. Of course, reasons of security prevent me from revealing, even in these pages, the gen I was given. Truth

to tell, all those blinking dots were a bit hard to follow and I fancy that at one point I must have nodded off.

As he was packing up to leave, I asked this sea-dog what his orders were. He seemed a bit puzzled. The orders, I said. The ones concerning me. He said he had no orders concerning me. Well, I told him, if he hadn't been instructed to assist me in taking supreme command of our military forces, I would help him out by so instructing him now. He disappeared, muttering about consulting his superiors.

Pretty soon I had a most genial fellow on the line. Chief of the General Staff, as it turned out, wanting to assure me that while they valued my interest in and knowledge of military matters, they felt that, as of now, they had things pretty much in hand. That might be, I said, but it seemed rum to me that you get into a war without your Commander-in-Chief being given anything more substantial to do that to spend his hours in a darkened room staring at a whole lot of blinking dots.

Seeing that I didn't intend to let matters drop, the General said that he'd take it up with the rest of the General Staff. I shall await developments.

Thursday

Smith's replacement came in this morning, looking a bit sheepish. Seems he can't get an answer out of the Journal of Philosophy. I had to press him a bit to get the full story, but it seems there is no-one on the editorial board who can actually catch the drift of my paper on existentialism. I admit that it requires powers of thought of a high order to grasp some of the more subtle argument, but I should have thought they'd have someone capable of getting on top of it. Apparently they were kind enough to say that they found it highly original – the editor even let on that he'd never seen anything like it before.

Thus encouraged, I do believe that I'll iron out a couple of the more demanding passages and send it down to Max Suich at the 'Independent Monthly'. After all, I launched his rag – I'm sure he'll be happy to run it. It's only 8,000 words.

Friday

Got a call from someone on Russell Hill saying that the Chiefs of the General Staff were still meeting to find a way for me to contribute to the defence effort in our hour of need. I told him that you'd think it was the Bomb Disposal Unit with a parcel from the IRA on the agenda, and he said that that was precisely the way they were treating it.

Saturday

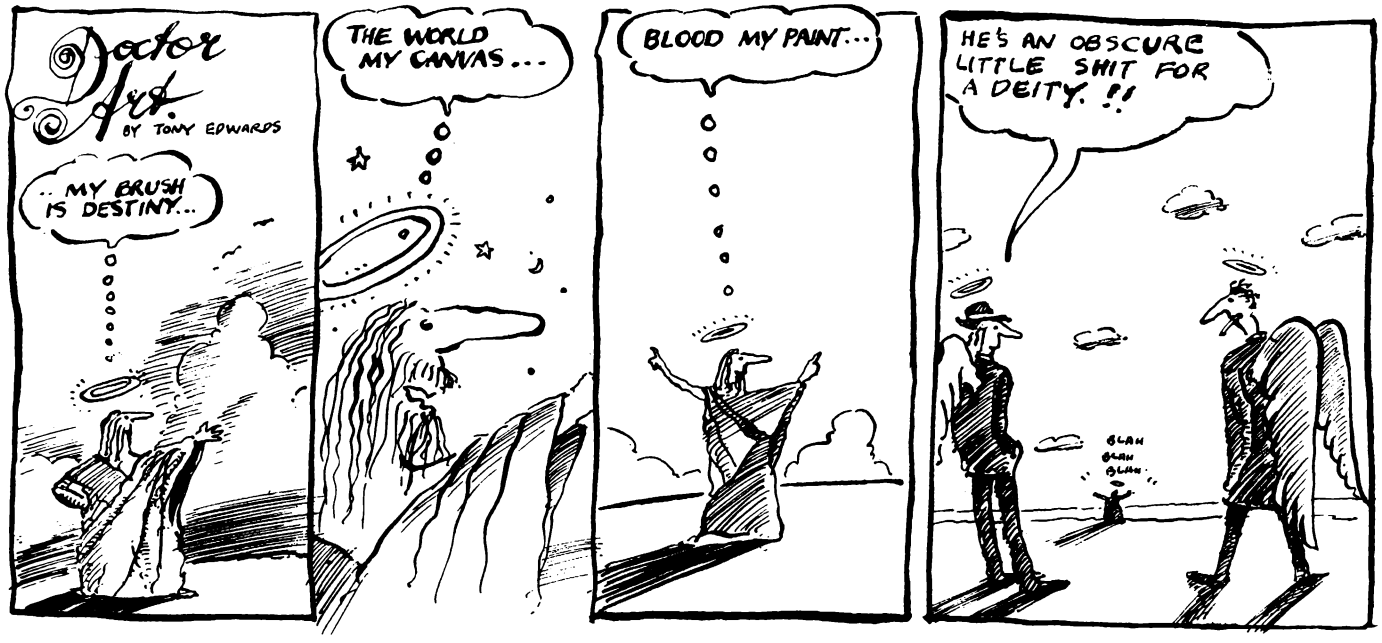
Finally, the plans are laid. We leave tonight on our special mission. The Air Force is laying on planes and a small detachment of troops will accompany us, "just to keep an eye on things", as I was told. It's a brilliantly simple idea, really: the National Morale Drive. I am to speak at Army bases across Australia, urging our troops to remain alert and assuring them – as only the ruler of a nation can – of the unequivocal support of the populace.

Looking at the itinerary, I can see that the Army is certainly housed in some out-of-the-way places: Charleville, Devonport, Tennant Creek, West Wyalong, Oodnadatta, Derby, Innamincka. I see I'm to spend a week in Cloncurry. Ah, the burdens of office.

Sunday

Kalgoorlie. So, we're under way at last! My God, the Army's taking this mission seriously. After addressing the troops (a staff sergeant, an orderly, a driver and three privates – I had expected more), I expressed the wish to perhaps drop into town to see if the media might wish to ask a few questions concerning the military situation.

No way, I was told by the major heading my detachment. Security, he said. Iraqi terrorists, he said, drawing his finger across his throat. Devilish cunning. I took the point: what a crisis this country would be plunged into if the Head of State were to be taken prisoner. A long, lonely time ahead, to be sure, but better than being a hostage.



Matters Cultural

Yeah, give us a couple of tickets, mate

HO says our Prime Minister has no interest in the arts? Back in the days when hobnobbing with paper shuffling entrepreneurs did not attract the present unhappy level of odium, Robert Holmes à Court suggested to the the PM that next time he was in London he might care to look in on the *Phantom of the Opera* which was playing at one of Hacca's West End venues. Bob accepted with alacrity.

The only trouble was that somehow the invitation was interpreted as encompassing the entire Prime Ministerial party of 100 that had managed to tag along on his next foray to London. An alarmed Janet Holmes à Court got in touch with Hazel Hawke to tactfully suggest that they had not expected a party of anything like this size and that really their London house couldn't cater for this number for supper later.

Hazel made soothing noises and the crisis was averted but not before an anxious theatre management wrung their hands about how they would have to cancel bookings for other VIP guests who had already parted with hard currency for their front row seats.

Just chop the bottom off, cobber

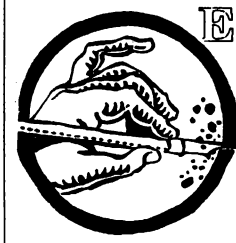
Another Perth tycoon, of course, amassed a more expensive art collection than even Hacca. The unfeeling attitude of the banks, however, means the Bond collection is being culled rather severely from the halcyon days when his public shareholders paid a handsome fee for the right to hang pieces on the office walls. But some trimming occurred even before then.

Brett Whiteley is one of the old fashioned school who believes that if he paints a picture to a certain size he probably had some reason for doing so. So he was not entirely convinced that Bondy had made an improvement when he saw the way the bottom had been trimmed off one of his silk-screen prints of Sydney Harbour so it could better fit the space available on one of the beer baron's floating palaces.

Long Day's Journey into White

David Marr's lengthy tome on Patrick White is due out next September, assuming the American publishers can adjust to the use of such strange Australianisms as "poofter" and "chook". White himself has read the manuscript, observing "It's long, but they'll read to the end for the dirt."

Unperturbed, he's told Marr, "It makes me out to be a monster, but I am a monster."



Eyewash

Simon Crean: "I have found some interesting aspects in the discussions that I have had over the past four days and I will be pursuing them but it will be in the context of the input, the science and technology emphasis, within the context of the direction, the continuing direction, that the Australian Government will be taking in its policy setting."

Q. " Sorry . . . It will be within the context of the continuing direction that the Australian Government will be taking in its policy setting'. What does that mean?"

Simon Crean : "Well, it means what I said."

Tokyo press conference by the Australian Science and Technology Minister

"Legible, intelligible and memorable: This means that the MFP should be articulate in its structure and its parts. This quality is often described as 'imageable', as being imaginable."

Multi-Function Polis report, Andersen and Kinhill Consulting

"There should have been two Nuremberg trials — there should have been the trials of the Nazis and the trials of the appeasers."

Bob Hawke, Seagulls Rugby League Club, 17/8/90

The Great Game

Moscow:

One would never wish to be impolite about our American cousins these days, but it's hard to avoid the conclusion that the US "war on drugs" is prosecuted with much greater vigour in Latin America than in Asia. It's scarcely the world's best kept secret that the Pakistani military and police are up to their eyeballs in drug dealing. They have a direct supply line, for example, into the Mujaheddin rebels in Afghanistan. Some of the Thai officials are not much better, but the US doesn't want to know. The Pakis' immunity, of course, has been strengthened by their stalwart support for the US forces in the Gulf. Just a quiet tip, however, for some of your undercover narcs in the region — I wouldn't exactly put my life on the line for some of the Karachi's "finest" They make your Roger Rogerson look like a saint.

One of your former ASIS chaps in Cairo and Tokyo (Warren Reid I believe was the name he went by) is apparently writing a novel. He has some wonderful tales to tell about life in the Cairo mission

Trust you've seen the RAAF document on mustard gas munitions left lying about Maxwellton in Central Queensland of all places. If not, I'll send you a copy. The stuff is left over from World War II and needs pretty urgent attention if only Greenpeace will let you destroy it.

All sorts on things pass my desk these days but I don't think I was supposed to see a certain memo from the Brits' SIS. The memo warns that German unification might mean the continued presence of nuclear weapons "could be thrown into question by the current leaders of West and East Germany". The Brits want " a meeting of representatives of the SIS, the CIA and (the French) DGSE" to plan joint action to discover the intentions of the German political and military leadership. The memo cautions that the three services should "not give any impression whatsoever to the Germans that a joint action is taking place". Ah, well I guess allies can only trust each other so far!

Perhaps of greater interest to your struggling corporate sector should be a strategy paper just prepared by the delightfully named Vice Admiral William O. Studeman, Director of the US National Security Agency. Studeman suggests that NSA shift a lot more resources into industrial espionage designed to give the US a competitive edge in the international economic arena. While ASIO is still busy fussing about what the ancient antennae might be on our trawlers, the new NSA strategy specifically discusses the targeting of the commercial communications of US allies. And let me assure you, they've got a lot more than some clapped-out trawlers to do the job.

If I were one of your companies' CEOs (see how well I'm picking up the jargon), I'd be looking hard at the encryption of all sensitive communications. I hate to be a spoilsport, but it's not really a good idea to rely on American-made encryption gear unless you want to hand a copy of any message straight over to the NSA. (In line with our new devotion to market forces we have some very fancy software available at a most attractive rate.)

The latest CIA study — we swap these things now days — estimates Chinese military spending to be increasing at a solid 15 per cent a year. Funny how the arms control bandwagon seems to have passed them by and no-one says a word. Certainly not your Government which has just granted their freedom-loving leaders a new round of loans on very soft terms.

Their brothers across the sea in Taipei are also much in favour. But you don't even need clandestine sources to find out where their military ambitions lie. When a reporter asked an Audit Ministry official why parliamentarians were not allowed to look at the books of the Chung Shan Institute of Scientific Research in Hsinschu, he replied it was because they were "involved in making atomic bombs". It provoked barely a peep.

Fraternally, ELLI

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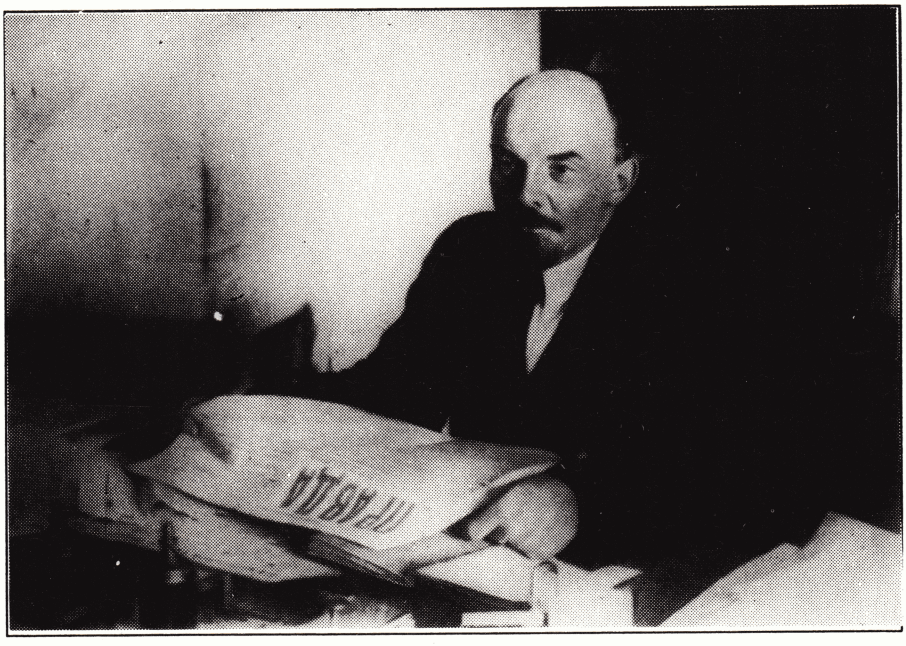

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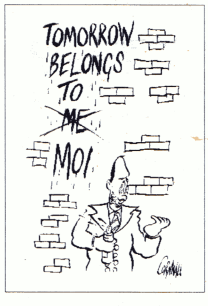

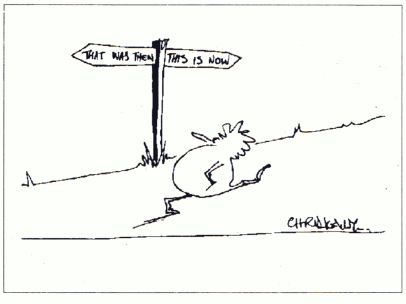

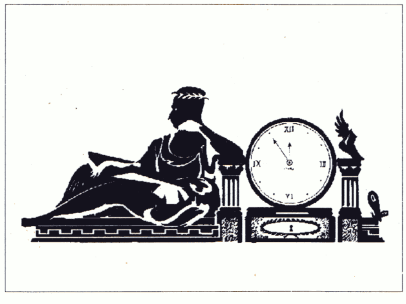

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